FOREIGN
BROADCAST
INFORMATION
SERVICE

Daily Report

Central Eurasia

ATTENTION!! **ATTENTION!!** **ATTENTION!!**

FBIS will phase out publication of most of its paper reports, including ALL Daily Reports and most FBIS Reports, by 31 December 1996.

See inside for information on how to access FBIS products and services electronically.

FBIS-SOV-96-128
Tuesday
2 July 1996

Dear Customer:

Responding to our many customers' requests, NTIS is offering FBIS publications electronically. Due to resource limitations, hardcopy production of FBIS publications will be phased out during 1996. Hardcopy reports will be discontinued according to the following schedule:

1 April	*Arms Control and Proliferation Issues*
1 May	*Environment and World Health*
1 June	*Narcotics*
1 July	*Terrorism*

Hardcopy publication of the regional DAILY REPORTS will cease as follows:

1 August	*China, Latin America*
19 August	*Near East and South Asia, West Europe, Sub-Saharan Africa, West Europe Economic Review*
2 September	*East Asia, East Europe, East Europe Economic Review*
16 September	*Central Eurasia, Central Eurasia Military Affairs, Central Eurasia Economic Review*

FBIS' goal is to cease publication of all hardcopy reports by 31 December 1996 except for S&T PERSPECTIVES, S&T CENTRAL EURASIA, S&T CHINA, S&T KOREA, S&T EUROPE, and S&T JAPAN. The S&T reports will continue to be published as hardcopy until the graphics they contain can be disseminated on-line.

FBIS products are offered electronically through the National Technical Information Service's (NTIS) "World News Connection" (WNC). This is a new on-line subscription service accessible through the World Wide Web. The Web address is http://wnc.fedworld.gov. Please see the next page for a subscription form or call NTIS Fax Direct at 703-487-4140 and enter product code 8645 to receive more information.

World News Connection - WNC1..**$ 21**
7 Day - Introductory Offer
Unlimited interactive searching
[no profiles]
Order number SUB-9856BDQ

World News Connection - WNC2..**$ 50**
Monthly
Unlimited interactive searching
[no profiles]
Order number PB95-985700BDQ

World News Connection - WNC3..**$ 75**
Monthly
Unlimited interactive searching
[1 profile]
Order number PB95-985800BDQ

World News Connection - WNC4..**$100**
Monthly
Unlimited interactive searching
[up to 5 profiles]
Order number PB95-985900BDQ
(Prices are subject to change)

World News Connection™

A Foreign News Alert Service
from
the U.S. Government

User Name *(Please Print or Type)*	**Internet E-mail Address** *(Required)*	**Order Number**	**Price**
1)			
2)			

(Continue on a blank sheet if more space is required)

Deposit Account Number (for NTIS account customers only): ____________________

Customer Master Number (if known): ____________________ **Date:** ____________________

Contact Name: ____________________ **Organization:** ____________________

Street Address: ____________________ **City:** ____________ **State:** ________ **Zip:** ________

Province/Territory: ____________________ **Country:** ____________________

Foreign Postal Code: ____________________

Internet E-mail Address (Organization contact person): ____________________

Telephone Number: (   ) ____________________ **Fax Number: (   )** ____________________

Credit Card Number: ____________________

Credit Card Expiration Date: ____________________

Card Type (Visa, Master Card, or American Express): ____________________

Cardholder's Name (as printed on the credit card): ____________________

Cardholder's Signature (required to validate all orders): ____________________

(Please fax this form back to NTIS at 703-321-8547. Fax service is available 24 hours a day, 7 days a week. To verify receipt of your fax, call (703) 487-4679 between 7:00am - 5:00pm, Monday - Friday, Eastern Time.)

Daily Report
Central Eurasia

FBIS-SOV-96-128 CONTENTS *2 July 1996*

NOTICE: An * indicates material not previously disseminated in electronic form.

PRESIDENTIAL ELECTION ISSUES

Russia: Yeltsin, Lebed Discuss Situation at Final Campaign Stage *[ITAR-TASS]* 1
Russia: Yeltsin To Vote on Osennyaya Street Morning of 3 Jul *[INTERFAX]* 1
Russia: Paper Speculates on Yeltsin Health, Absences *[KOMSOMOLSKAYA PRAVDA 2 Jul]* 1
Russia: Press Coverage of Yeltsin's Health, Absence Reported *[FBIS Report]* 1
Russia: Yeltsin Campaign Schedule Punishing Even for Journalists *[KOMSOMOLSKAYA PRAVDA 2 Jul]* 2
Russia: Lebed Addresses 'Older Generation' *[Moscow Radio]* 2
Russia: Lebed Gives Examples Discrediting Communism *[Moscow Radio]* 3
Russia: Lebed Says Parliamentary Democracy Alien to Russia *[ITAR-TASS]* 3
Russia: Lebed Says Stories of Additional Powers 'Exaggerated' *[ITAR-TASS]* 4
Russia: Lebed Discusses Dismissals, Chechen War, Other Issues *[Moscow ORT]* 4
Russia: Zyuganov Explains Stand, Answers Foreign Diplomats' Questions *[ITAR-TASS]* 8
Russia: Zyuganov Faces 'Purge' of Allies in Event of Victory *[KOMSOMOLSKAYA PRAVDA 1 Jul]* 8
Russia: Boycott Could Cost Zyuganov 5 Million Votes *[KOMSOMOLSKAYA PRAVDA 5 Jul]* 9
Russia: Zhirinovskiy To Vote Against Both Candidates in Second Round *[INTERFAX]* 10
Russia: Tuleyev Must Repay R300 Million After Election Withdrawal *[KOMSOMOLSKAYA PRAVDA 1 Jul]* 10
Russia: MVD Patrols Stepped Up; No Defense Ministry Personnel *[ROSSIYSKIYE VESTI 2 Jul]* 10
Russia: Three 'Serious' Violations Reported in First Round *[ITAR-TASS]* 11
Russia: Post-3 Jul Scenario Predicted in Event of Yeltsin Defeat *[KOMSOMOLSKAYA PRAVDA 1 Jul]* 11
Russia: Ryabov Assails 'Premature' Kazakhstan Poll Result Publication *[ITAR-TASS]* 15
Russia: Timing of Release of Election Results Reported *[INTERFAX]* 15

INTERREGIONAL AFFAIRS

CIS: ITAR-TASS Carries Press Review for 2 Jul 16
Baltics: Council of Baltic Sea States To Convene 2 Jul in Sweden *[BNS]* 16
Baltics: Latvia To Assume Presidency of Baltic Sea Council 3 Jul *[BNS]* 17
Baltics: Lithuania Passes Presidency of Baltic Council to Estonia *[BNS]* 17

RUSSIA INTERNATIONAL AFFAIRS

Russia: Clinton, Chernomyrdin Quizzed on Yeltsin's Health in Lyon *[TRUD 1 Jul]* 18
Russia: Moscow Welcomes Karadzic's Decision To Step Aside *[ITAR-TASS]* 18
Russia: Lyon G-7 Summit Results Viewed *[ROSSIYSKAYA GAZETA 1 Jul]* 19
Russia: Chernomyrdin Seen Going Cap-in-Hand to G-7 *[SOVETSKAYA ROSSIYA 1 Jul]* 20
Russia: 'Ambiguity' on Russian G-7 Role; Lebed Remarks on Sects Hit *[IZVESTIYA 2 Jul]* 21
Russia: Election's Impact on G-7's Future Viewed *[KRASNAYA ZVEZDA 29 Jun]* 22
Russia: Future of Russian-U.S. Relations Viewed *[NEZAVISIMAYA GAZETA 28 Jun]* 23
Russia: Report on U.S. Interests Aim To Run Russia's Finances *[SOVETSKAYA ROSSIYA 1 Jul]* 27
Russia: Energy Minister on Nuclear Accord With Iran *[Tehran IRAN NEWS 27 Jun]* 28
Russia: Duma's Lukin, Iran's Larijani Discuss Bilateral Cooperation *[Tehran Radio]* 30

RUSSIA NATIONAL AFFAIRS

Political Issues

Russia: Zyuganov, Filatov Cited on Yeltsin's Health *[Moscow Radio]* 31

Russia: Premier Holds News Conference on Lyon Summit, Yeltsin's Health *[Moscow NTV]* . 31
Russia: Yeltsin Orders Support for Baltic Maritime Commercial Fleet *[Radio Rossii]* 32
Russia: Yeltsin Signs Decrees on Developing Stock Market *[INTERFAX]* 32
Russia: Lebed Denies Possible Presidency Before 2000 *[INTERFAX]* 32
Russia: Lebed Tells News Conference Why He Needs 'Extra Powers' *[Moscow RTV]* 32
Russia: Lebed To Tighten Visa Rules, Reduce Unnecessary Imports *[ITAR-TASS]* 33
Russia: Zyuganov Proposes UN Discuss Ethnic Conflicts, Crime *[INTERFAX]* 33
Russia: Yavlinskiy Hints at Coalition Between Yeltsin, Zyuganov *[Hilversum TV]* 34
Russia: FSB Seizes Explosives Destined for Moscow, Makes Arrests *[INTERFAX]* 34

Military Issues

Russia: Lebed Denies Existence of 'Dismissal Lists' for Military *[INTERFAX]* 35
Russia: Duma Official Interviewed on Army Changes *[Moscow NTV]* 35

Federal Assembly

Russia: Seleznev: State Duma To Choose Premier if Yeltsin Elected *[INTERFAX]* 39
Russia: Special Duma Session May Be Needed To Approve Premier *[ITAR-TASS]* 39
Russia: Federation Council Speaker Calls For Consolidation *[INTERFAX]* 39
Russia: Duma Displeased With Ukraine's Constitutional Amendment *[ITAR-TASS]* 40

Regional Affairs

Russia: Voting Begins in Chechnya Despite Groznyy Explosion *[ITAR-TASS]* 40
Russia: No Results in Talks on Chechen POW Exchange *[ITAR-TASS]* 40
Russia: Chechen Separatists Seen Putting Pressure on Federal Side *[KRASNAYA ZVEZDA 1 Jul]* 41
Russia: Moscow Mayor's Agenda in St. Petersburg Noted *[IZVESTIYA 29 Jun]* 42

Economic Issues

Russia: Chernomyrdin Sees Stable Macroeconomic Situation *[ITAR-TASS]* 42
Russia: Next President's Economic Problems Viewed *[FINANSOVYYE IZVESTIYA 27 Jun]* 42
Russia: Premier Concedes Agriculture's Need for Support *[ROSSIYSKAYA GAZETA 29 Jun]* 44

UKRAINE

International Affairs

Ukraine: President, Prime Minister Receive Japanese Foreign Minister *[Kiev International]* ... 46
Ukraine: Kuchma, Japanese Foreign Minister Discuss Ties, Chernobyl *[UNIAN]* 46
Ukraine: Japanese Premier Hails Constitution, Promises Further Aid *[UNIAN]* 46
Ukraine: Accords With Iran, Turkmenistan Seen as 'Quite Promising' *[HOLOS UKRAYINY 28 Jun]* 47
Ukraine: Kiev Concludes Barter Deal To Purchase Iraqi Oil *[INTELNEWS]* 47

National Affairs

Ukraine: Moroz: Constitution Needs Fine-Tuning *[UNIAN]* 47
Ukraine: Kuchma Revokes Decree on Holding Referendum on Constitution *[Kiev TV]* 48
Ukraine: President Kuchma Makes Personnel Changes *[UNIAR]* 48
Ukraine: Governmental Session on Crimea's Problems Detailed *[UKRINFORM]* 48

Economic Issues

Ukraine: Kuchma Establishes Antibankruptcy Agency *[INTELNEWS]* 48
Ukraine: Government Session on Wages Detailed *[UKRINFORM]* 49

Ukraine: Ministry Releases Jan-May '96 Foreign Trade Figures *[INTELNEWS]* 49
Ukraine: Nuclear Power Industry Needs Fuel Desperately *[SEGODNYA 1 Jul]* 50
Ukraine: Economist Compares Inflation, Monetary Policy *[URYADOVYY KURYER 25 Jun]* 50

WESTERN REGION

Belarus

Belarus: Lukashenka Aide on NATO Expansion *[VO SLAVU RODINY 28 Jun]* 53
Belarus: Germany Agrees To Aid in 'Liquidating Nuclear Weapons' *[BELAPAN]* 54
Belarus: Supreme Soviet Revives Soviet-Era Flag, Symbols *[KOMSOMOLSKAYA PRAVDA 1 Jul]* 54
Belarus: Lukashenka Specifies New Hard Currency Policy *[BTK]* 54
*Belarus: Lagging State of Privatization Described *[EKONOMIKA I ZHIZN May]* 55

Moldova

Moldova: Creanga-Snegur Standoff Heats Up Again *[NEZAVISIMAYA GAZETA 1 Jul]* 58
Moldova: Yeltsin 'Too Busy' To Sign Dniester Memorandum Before Poll *[INFOTAG]* 58
Moldova: Leaflets Supporting Zyuganov Appear in Tiraspol *[BASAPRESS]* 59

CENTRAL ASIA

Kazakhstan

Kazakhstan: Nazarbayev Addresses Closing Session of Parliament *[INTERFAX]* 60
Kazakhstan: Nazarbayev Gives Regional Heads New Tasks *[DELOVAYA NEDELYA 28 Jun]* 60
Kazakhstan: Low Turnout Reported in Almaty for Russian Elections *[Moscow RTV]* 61
Kazakhstan: Nazarbayev Briefs Swiss Forum on Economic Potential *[KRASNAYA ZVEZDA 28 Jun]* 61

Tajikistan

Tajikistan: Iran's Velayati: Conflict Must Be Settled Peacefully *[ITAR-TASS]* 62
Tajikistan: Rakhmanov Seeks End To Regionalism, National Strife *[INTERFAX]* 62
Tajikistan: Conflict Settled Between Guards, Militants *[ITAR-TASS]* 63
Tajikistan: Russian Planes Bomb Tavil Dara Villages; 2 Dead *[Voice of Free Tajikistan]* 63

Armenia

Armenia: Deputy Foreign Minister Leaves for Stockholm Karabakh Talks *[Yerevan International]* 63
Armenia: European Parliament Delegation Gives News Conference *[SNARK]* 63
Armenia: European Parliament Sees Caucasian Republics Making Headway *[ITAR-TASS]* 64

Georgia

Georgia: Shevardnadze Discusses Economy, G-7 Summit, Turkey *[Tbilisi Radio]* 64

BALTIC STATES

Estonia

Estonia: Kallas Departs for EU Conference in Strasbourg *[BNS]* 67
Estonia: Prosecutor's Office Protests Ruble Case Ruling *[BNS]* 67

Latvia

Latvia: Ulmanis Deplores Army's Lack of Discipline *[Riga Radio]* 67

Latvia: Foreign Minister on 'Vital' NATO Membership *[Stockholm SVENSKA DAGBLADET 28 Jun]* 67

Lithuania

Lithuania: Brazauskas Hopes To Participate in NATO's Expansion *[INTERFAX]* 69
Lithuania: Russian Official Says Baltics Never To Be Admitted to NATO *[Vilnius Radio]* 69
Lithuania: Brazauskas Signs Amendments to Electoral Law *[BNS]* 70
Lithuania: Prime Minister Ends Two-Day Visit to Poland *[Warsaw PAP]* 70

Russia: Yeltsin, Lebed Discuss Situation at Final Campaign Stage

LD0107143496 Moscow ITAR-TASS in English 1355 GMT 1 Jul 96

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, July 1 (Itar-Tass) — Russian President Boris Yeltsin had a working meeting with Security Council Secretary Aleksandr Lebed on Monday to discuss the situation on the eve of the second round of presidential election scheduled for July 3.

Presidential spokesman Sergey Medvedev told Itar-Tass that the meeting took place at the president's country house outside Moscow and focused on the "Security Council's plan of work and the political situation in the country at the final stage of the election campaign."

Russia: Yeltsin To Vote on Osennyaya Street Morning of 3 Jul

LD0207103996 Moscow INTERFAX in English 0922 GMT 2 Jul 96

[FBIS Transcribed Text] MOSCOW, July 2 (Interfax) — Russian President Boris Yeltsin will vote at a polling station in Moscow's Osennyaya street Wednesday morning, spokesman for the president Sergey Medvedev told Interfax.

Russia: Paper Speculates on Yeltsin Health, Absences

MM0107190096 Moscow KOMSOMOLSKAYA PRAVDA in Russian 2 Jul 96 p 2

[Report by Olga Gerasimenko under the "Rumor Mill" rubric: "Maybe He Ate Something He Shouldn't Have..."]

[FBIS Translated Text] The closer the election gets, the louder the rumors about the president's shattered health grow. First, Yeltsin lost his voice, then he himself disappeared, thereby providing further grounds for doubts. So what is happening, then?

In an interview given to INTERFAX Sunday the president explained the reason for his sudden withdrawal into the background as a tactical election maneuver. "As for my rival, he has only one set of tactics, I have different ones. He addresses news conferences every day and lays special stress on frenzied anti-Yeltsin propaganda. I, however, deal with concrete matters." However, there is something troubling in the president's election tactics. A source from Grigoriy Yavlinskiy's immediate entourage informed us that a personal meeting between the president and the Yabloko leader was due to take place Sunday. Yavlinskiy was to arrive at the Kremlin at midday and then head off for the president's dacha at 1300 hours. However, the meeting was called off Sunday morning. In the evening Muscovites were also expecting to see the president at the MOSKOVSKIY KOMSOMOLETS newspaper's festival at Luzhniki, but they simply waited in vain.

Nor did the meeting of the three presidents — Russia, Moldova, and Ukraine — scheduled for Monday morning take place. The official version of events is that it was postponed "by mutual accord as a result of contacts conducted through diplomatic channels."

Where, then, was the president? His press service maintained a polite silence all yesterday morning. And it was only after midday that it imparted the meager piece of news that Yeltsin had conversed with Chernomyrdin in the Kremlin at 1100 hours and had then begun to record a TV message to Russians. At 1400 hours the head of state finally appeared on the screen — yes, he did indeed have a hoarse voice, but he in way looked a sick man. Clearly, Zhirinovskiy was right when he told the whole country a couple of days ago that everything is okay with Yeltsin's health.

Russia: Press Coverage of Yeltsin's Health, Absence Reported

MM0107201096

[FBIS Report] The six Moscow dailies for 2 July received at MMU in the 1 July pressfax cast — IZVESTIYA, KRASNAYA ZVEZDA, KOMSOMOLSKAYA PRAVDA, TRUD, ROSSIYSKAYA GAZETA, and ROSSIYSKIYE VESTI — give little or no coverage to the latest rumors and speculation surrounding the health of Russian Federation President Boris Yeltsin and his failure to attend scheduled meetings in the last few days.

The two referent items, carried together on page 2 of KOMSOMOLSKAYA PRAVDA, are the only monitored pieces to tackle the issues, and they do so in such a way as to play down the significance of and excuse the president's actions. Olga Gerasimenko, in a report carried under the rubric "Rumor Mill," cites Yeltsin's 30 June INTERFAX interview in which he explained his "sudden withdrawal into the background as a tactical election maneuver." And despite his failure to fulfill scheduled commitments, when the president eventually appeared on Russian television screens at 1400 hours local time "Yes," — Gerasimenko writes — "he did indeed have a hoarse voice, but he in no way looked a sick man. Clearly, Zhirinovskiy was right when he told the whole country a couple of days ago that everything is okay with Yeltsin's health."

The thrust of the second report, by Aleksandr Gamov, is that Yeltsin's campaign schedule has been so punishing — "intensive in the extreme," as Gamov describes it — that several journalists accompanying the president also succumbed to ailments of differing severity. Despite having to cope with a tight schedule, sharp changes in climate, and time changes — and most recently eliminating from his routine "such important items as 'dinner' and 'rest'" — the president..."is alive and kicking."

Aside from the election materials already selected and awaiting filing, no further campaign coverage will be monitored from the Moscow dailies on coverage: All six of the above-listed dailies announce that their next issues will be those dated Friday 5 July, joining other of MMU's press sources which have already made similar statements.

Russia: Yeltsin Campaign Schedule Punishing Even for Journalists

MM0107190996 Moscow KOMSOMOLSKAYA PRAVDA in Russian 2 Jul 96 p 2

[Report by Aleksandr Gamov under the "Eyewitness Account" rubric "...But There Is No One To Replace Him Now"]

[FBIS Translated Text] When speaking about Boris Yeltsin's slight indisposition officials blame the head of state's very heavy schedule of campaign visits. But that is to put it too mildly. His schedule has been intensive in the extreme. I can bear witness as someone who has accompanied the president on almost all his trips around the country — and he visited 26 (!) regions in the course of April, May, and June.

Omsk-Krasnoyarsk, Ufa-Perm, Kazan-Novosibirsk-Rostov-na-Donu.... Whatever the assignment, there was a clutch of cities. The timetable was laid down literally to the minute. The bodyguards and accompanying officials changed.... There was no one, however, to replace Yeltsin.

In Kislovodsk there was sweltering heat, in Vorkuta a snowstorm. And there were also the time changes to cope with. Several times Boris Nikolayevich was in the rain, but he ignored the proffered umbrellas. And most recently he struck out from his timetable such important items as "dinner" and "rest." In short, he broke his routine.

The majority of the journalists who traveled the country in Yeltsin's wake throughout these months also had to work according to the "presidential" schedule. I have to admit that this work is not very good for the health. As a result one fellow journalist ended up in a hospital bed, two others spent a week laid up at home, while the rest disposed of the colds and other ailments which come of being "on the road" by taking a medicine chest with them onto the plane. Even your own correspondent did not escape election illnesses: I ran a high temperature while on assignment in Siberia and returned from my last assignment, in Kaliningrad, with acute lumbago.

And the president, he too is alive and kicking.

Russia: Lebed Addresses 'Older Generation'

LD0107141796 Moscow Mayak Radio Network in Russian 1213 GMT 1 Jul 96

[FBIS Translated Text] On the eve of the second round of voting, Aleksandr Ivanovich Lebed addressed his fellow-countrymen and the people of the older generation. Let us listen:

[Begin Lebed recording] Our fathers and grandfathers spent their youth, strength, and health in the war, in restoring the economy after the war, in fights for the harvest. It has been our custom to fight for everything. Up to 1991 those who saved some three to five thousand rubles for their old age usually considered themselves to be well provided for. Some time later it turned out they were wrong. Of all those who suffered, I believe these have to be the first to receive help. Normal society has to insist that debts are repaid to the old on time, and that the young can lend. So the old and the children are ultimately the two categories from which one can judge whether one is dealing with a civilized society.

I can understand the old people who spent their whole lives in hard work and struggles, and earned a little — when they discover that they lived in vain. But no one will ever admit this, no one will ever cross out his whole life, I understand that perfectly. And I am not saying their lives were in vain. They weren't. They won the greatest of all wars. We were told the restoration would take us 50 years, but we restored virtually everything in five.

But we now live in a different era. The system we fought for and charged forward for proved unviable. The idea was beautiful: equality, fraternity, and happiness. But there has never been and will never be equality between a general and a lance-corporal, between a university vice-chancellor and a university janitor, between a director and a worker. This has never happened and will never happen anywhere. So we were chasing a beautiful dream. And now that we have found ourselves in a dead end, it will be difficult to get out, but we shall use our will and our collective intelligence to do it.

One can understand it in human terms — most people feel nostalgic not for political education classes or some dogmas, but for simple and clear rules of life. Once we all knew where to seek medical care, where to study, where to apply for an apartment, we could make ends meet. Those simple rules of life we once had cannot be brought back. One can, of course, make some populist gestures, spend the country's entire hard currency reserves in three or four months, but then what?

One has to choose the future, there is no way back. Therefore I invite you all to reflect on what we should do — turn straight back or keep moving forward.

The experiment cost us dear, very dear. No one in the whole world paid the same price as in Russia. God forbid that we should pay this price again. Ours was a difficult path, a path along which numerous crimes were committed, a path for which we paid an enormous amount of money — but we walked that path to the end. We reached a certain border. There is no way we can bring back the money or those who died. If we want to live, the only way is forward. [end recording]

You were listening to a man you know very well, Aleksandr Lebed.

Russia: Lebed Gives Examples Discrediting Communism

LD0107145496 Moscow Mayak Radio Network in Russian 1020 GMT 1 Jul 96

[FBIS Translated Text] In the first round of the presidential election one-fifth of the voters in the Rostov region voted for Aleksandr Lebed, who comes from that region. But his decision to accept the post of secretary of the Security Council and presidential national security aide surprised and even outraged many. In an interview with Yelena Smirnova, a commentator for the Don-TR television and radio company, Aleksandr Ivanovich Lebed explained his position:

[Begin Lebed recording] Two big groups have made their choice. You have to make up your mind in this situation. Attempts to avoid adopting any position or calls to vote against everybody could lead to turmoil in the country. So, you have to make up your mind, make your choice. I have done this.

The logic was as follows. Socialism, and especially communism, has never established itself in any country of the world. Let's not take third-world countries. Let's take the two Koreas or Germany. The West Germans thought it would cost them roughly 400 billion marks to integrate the eastern regions. In fact they have already invested 600 billion marks in them, and the task is still far from over. Famine is looming over North Korea. This is a country which has nuclear weapons, but its people are starving.

Wherever you look in the socialist countries, the picture is the same. Everywhere there is levelling-down, tolitarian rule, senile dictators. It is one and the same thing everywhere. The system is outdated. The idea was a fine one, but virtually nowhere has it been implemented successfully. Zyuganov represents this old idea. Basically, he is trying to take the country back to the past. This will ruin us.

There is a new idea, represented by Yeltsin. This idea has been implemented very badly, quite dreadfully in fact. Masses of mistakes and crimes have been committed. There are huge numbers of shortcomings of all kinds. I acknowledge all of this. But the idea is a new one. It has a future, it has prospects. I will not push my own country into yet another communist experiment — not because I am anti-communist, but because this course has no prospects. So the only thing to do is to press ahead as best we can, difficult as it may be.

So, that is why I made this move. I have taken up my stand as a supporter of the new idea. [end recording]

Russia: Lebed Says Parliamentary Democracy Alien to Russia

LD0207095196 Moscow ITAR-TASS World Service in Russian 0902 GMT 2 Jul 96

[By ITAR-TASS correspondents Artem Protasenko and Andrey Surzhanksiy]

[FBIS Translated Text] Moscow, 2 Jul (Itar-Tass) — Aleksandr Lebed met with journalists today to present a series of proposals on the main aspects of national security. Speaking about the army, the Security Council secretary and presidential advisor said he intends to focus on the social rehabilitation of servicemen discharged to the reserve, payments overdue to the armed forces, and also the military-industrial complex and the environment.

Security Council papers on the social welfare of reserve servicemen contain in particular plans to introduce long-term credits for them on preferential terms, to establish an employment exchange for officers in the reserve, and other measures. Aleksandr Lebed said he favors imposing a special rate of interest for each day that servicemen's incomes are delayed.

During the news conference, the Security Council secretary also touched on measures to combat corruption and crime and on the psychological security [psikhologicheskaya bezopasnost] of Russian citizens.

Answering journalists' questions, Aleksandr Lebed said he does not "consider myself to be a democrat in the full sense of the word — I am a semi-democrat". Speaking about the presidency in Russia, he stressed this institution is essential to the country and should definitely be retained. Parliamentary democracy is not for our country, he considers.

Russia: Lebed Says Stories of Additional Powers 'Exaggerated'

LD0207090796 Moscow ITAR-TASS World Service in Russian 0842 GMT 2 Jul 96

[By ITAR-TASS correspondents Artem Protasenko and Andrey Surznanskiy]

[FBIS Translated Text] Moscow, 2 Jul (Itar-Tass) — "Rumours of additional powers which I allegedly desire to endow myself with are exaggerated," Aleksandr Lebed said today at a meeting with journalists.

The Secretary of the Security Council and aide to the President of the Russian Federation for national security stressed:

"I am not a monster, I am a human being. I do not need a clash of powers. And additional powers are necessary not for my personal interests but for solving problems of state security."

Russia: Lebed Discusses Dismissals, Chechen War, Other Issues

LD0107204096 Moscow Russian Public Television First Channel Network in Russian 1510 GMT 1 Jul 96

[Studio interview with Aleksandr Lebed, secretary of the Security Council, by Dmitriy Kiselev in the "Rush Hour" program — live or recorded]

[FBIS Translated Excerpt] [Kiselev] Hello. Today's Rush Hour is for a politician who is described in horoscopes as a tiger who walks by himself. Following a precipitous political career he has become President Yeltsin's right-hand man and No. 2 within the system of Russian politics. In the last two weeks, however, everybody has been calling him No. 1 and the main source of news stories. Aleksandr Ivanovich Lebed is our studio guest. Good evening.

[Lebed] Good evening. [passage omitted on Lebed biography]

[Kiselev] You shook your head in disagreement when it was mentioned that you jog every day. Have you changed your habits now?

[Lebed] I have no time for jogging any more but I do take cold showers — fundamental sobriety.

[Kiselev] What are you doing instead of jogging?

[Lebed] I am using fitness machines.

[Kiselev] What have you achieved in the last two weeks in the top echelons of power?

[Lebed] Not so much. For the time being everything is at a stage of preparation. Routine problems are a nuisance but I will cope with them, I am sure of that.

[Kiselev] People are saying that Lebed has been in the Kremlin for two days and four people have already disappeared. So the results are seen as simply shattering whilst you regard them as modest so far. Is there more to come?

[Lebed] Everybody is trying to show me up as a monster. The defence minister's [Grachev's] dismissal was long overdue. But it is up to the president to dismiss the head of the bodyguard or the director of the Federal Security Service as well as a first vice premier. I had nothing to do with this. I do not want to steal other people's laurels.

[Kiselev] What laurels are you seeking then? What would you like to do in this post?

[Lebed] I want to turn the Army into a proper one which can be our pride and which will not be scary for mothers whose sons are being called up so that the committees of soldiers' mothers can be disbanded in the country as no longer needed. I have no complaints about the mothers because they are right. They gave birth to their sons for the sake of the future, for the sons to be their help and hope in old age.

[Kiselev] And you believe that you will succeed?

[Lebed] I will succeed.

[Kiselev] Sitting in this chair, Arkadiy Volskiy said that there is a party of war in Russia. Has it now been disbanded?

[Lebed] I would not say that the party was a very powerful one but it did exist.

[Kiselev] You are using the past tense?

[Lebed] Yes.

[Kiselev] So it does not exist any longer?

[Lebed] Practically not.

[Kiselev] Did you meet Yeltsin today?

[Lebed] Yes.

[Kiselev] So what is new? How is he?

[Lebed] He looks quite decent, his voice is back. We chatted for 10 minutes about the latest news and tasks. It was a routine working meeting.

[Kiselev] Do you meet the president every day?

[Lebed] Practically every day. There was a two-day break because of the vocal chords.

[Kiselev] Many people have noticed a certain difference in your approaches. You seem to be in favour of a broader coalition than the president. Is the difference very significant?

[Lebed] Not at all, not at all. We have a very big and varied country and there will be work for everyone. In my view it is simply impractical, as it were, to cut off 30 million people. So we will find.... [changes thought] We are a single people. We share the same land, the same sky, the Russian language; there will be work for everyone. We will find agreement without problems.

[Kiselev] Are you asking for additional powers?

[Lebed] Yes.

[Kiselev] Why?

[Lebed] For the purpose of coordinating the actions of my structures. I find it hurtful to see how in Chechnya they always have to fight as individual units, like fingers, and these fingers are always being broken. The system must of necessity clench itself into a fist.

[Kiselev] Do you personally have enough powers?

[Lebed] What powers could the Security Council have? This is a coordinating and consultative body. Some document is prepared and sent off: If it is accepted, OK, if it is not, even better. Call these powers?

[Kiselev] That is not your style.

[Lebed] That is not my style.

[Kiselev] Sunday morning [30 June] everyone was talking about the possibility of bringing back the post of vice-president. This was attributed to you, rightly or wrongly I do not know. What do you think of the idea as such?

[Lebed] I talked about this a bit earlier and I do not understand why this idea has been raised right now but I can say what I think if you like.

[Kiselev] Please do.

[Lebed] If someone has had bad luck with his wife it does not mean that the institution of marriage should be abolished. So, in the present circumstances a vice president is badly needed. As things have turned out there is a separate, huge, mighty workload waiting for him, enough for many years. There is the Caucasus, Chechnya, and this problem, this region needs to be handled by a person enjoying powerful constitutional and distributive powers, someone competent to make both political and military decisions. The problem will then be solved. We were born into this world to live, after all. Everyone wants to live, to live well, or at least to live.

[Kiselev] Your appearance is one of complete confidence not just in tomorrow but in the next day as well. Is that really how you feel?

[Lebed] Correct. It is really so. How could I fail to be confident in my own land, where my future and the future of my children and grand-children lies, the land I will never leave?

[Kiselev] And your voters, are they bound to vote this time for your alliance with Yeltsin? You could give them an order. You have issued an appeal to them. It was not of course in the form of an order...

[Lebed interrupting] What do you mean, an order?

[Kiselev] No, I understand, even Zyuganov says we do not have serfdom any more but you do hope all the same that they will vote that way.

[Lebed] I am deeply convinced of it because I made a speech at the congress of the Honor of the Motherland Public Movement, or rather a joint session of Honor of the Motherland, the Democratic Party, and the Congress of Russian Communities. The whole meeting, with one abstention, voted for support. At a congress of national and patriotic organizations there was full support for the position. Of course, everyone votes as an individual but the majority will support me. I want to repeat it once again: Everyone wants to live, to live well and to see order, normal civilized order, around them. We have no other way to go, no other choice. We will manage, all of us together, the whole world. The heirs of the victors and the victors themselves still live among us, so we will manage.

[Kiselev] You have included the Army among your priority tasks, Aleksandr Ivanovich. I would like to dwell on the subject.

[Voiceover reads screen caption] Over the past four years the finances of the Armed Forces have been halved. This year, the Army received only 40 percent of the expenditure it actually needs. The money for food will last for only 10 months. There is no money to pay for gas and electricity. The stocks of spares and fuel and lubricants are half full. Officers have not received wages or dry rations for months. Both Russian and Western experts believe that our Army represents an absolutely unhinged force made up of demoralized officers and hungry soldiers who are using obsolete or faulty equipment after brief or inadequate training. [Signed] Yuliya Kalinina, MOSKOVSKIY KOMSOMOLETS, 22 June 96.

[Kiselev] Is that a considerable exaggeration or, on the contrary, an understatement?

[Lebed] Unfortunately, it is not a considerable exaggeration but all this can be put right. The Army should take back the bearers of tradition who have been expelled from it systematically for four years whilst those who are still in the Army should be put to good use. Their hands should be untied, after all, they are Russian officers.

[Kiselev] Aleksandr Ivanovich, we have calls to the studio.

[Listener] I am Krotov calling from Tver. I have a question to Aleksandr Lebed. When will the Armed Forces get wages on time?

[Lebed] I hope that it will be very soon. We will sort things out with Mr. Vorobyev and other gentlemen who deliberately used this money for other purposes. And after that the Army will get wages on time, on the 13th, from 1400 to 1800. And at 1805 the head of the financial department should report to his commander...

[Kiselev, interrupting] ...that everything has been paid.

[Lebed] Yes, that everything has been paid out in envelopes and no complaints have been registered. I do not understand how come only 40 percent of food provisions have been financed. It implies that a serviceman should eat only once a day on three occasions — on Mondays, Wednesdays, and Fridays. But a soldier cannot survive on that. But we will put all this right, it's within our powers.

[Kiselev] When will the war in Chechnya end?

[Lebed] Well, after the election I will fly over there and then we will begin ending it, God willing. This war must be ended not by force but by reason.

[Kiselev] In his latest interview with INTERFAX President Yeltsin said that the war in Chechnya had lost its drive. This is not a very political definition. Will the war be assessed in political terms? Will there be a postmortem?

[Lebed] Any war requires a postmortem, the only question is when. Its a fact that the war has lost its drive. Nobody wants it, it should be stopped as everybody is tired of it.

[Kiselev] Will Chechnya thereby leave Russia?

[Lebed] I do not think so. Chechnya needs Russia more than Russia needs Chechnya.

[Kiselev] But you are in favor of a referendum in Chechnya. And if the referendum comes up with such a decision, then...

[Lebed] That was my view as a presidential candidate.

[Kiselev] And now?

[Lebed] Today I simply must agree my view with general policy. I have not become president.

[Kiselev] We have a telephone call about Chechnya.

[Listener] I am Valentina Iosifovna Barykina from Moscow. I have a question for General Lebed. When will the war in Chechnya end?

[Kiselev] It's a question of specific dates, I believe.

[Lebed] There will be no specific dates. You cannot give a specific day and time when a war is to end. I repeat that I will fly over there and sort things out. I will invite the commander on 4 July and I will listen to his definitive report, study the situation, and I will fly over there to sort things out. The war must end.

[Kiselev] Thank you. Another quote from MOSKOVSKIY KOMSOMOLETS coming up.

[Voiceover reads quote] One gets the impression that General Lebed does not need to have special powers assigned to him to impose order in the country. All that needs to be done is to tape the thundrous cadences of his voice saying "I don't advise that" or, depending on the situation, "I really do not advise that" and then to transmit it from time to time on television and radio, and then order will establish itself. MOSKOVSKIY KOMSOMOLETS, 24 June, 1996.

Perhaps we did not pronounce that "I really do not advise that" bit properly. How should it be said?

[Lebed] What do you mean?

[Kiselev] Is everything all right?

[Lebed] This is a funny sort of a thing. I have spent my whole life without inciting a single conflict or war. What I have done is to stop them, to persuade people, convince them, appeal to reason and conscience.

[Kiselev] Separated the combatants.

[Lebed] Separated them, evacuated people, fed them. The more I have spent doing this the more this monster image has stuck to me. Strange.

[Kiselev] Well, I do not know. I read in a Western newspaper: Lebed is Stalin today — which means that they expect a firm hand from you and for that reason even Stalinists may be prepared to vote for you because of this. What is your attitude to this?

[Lebed] It does not worry me. We have been through the period when order could be maintained by naked force, evil force. The enthusiasm that existed in the 1920's and the early 1930's is no longer there and neither is the force. Only reason, reason can be used, otherwise it will not work.

[Kiselev] How do you intend to combat crime, by reasoning again?

[Lebed] Yes, by reasoning.

[Kiselev] You will try to persuade people?

[Lebed] No, I will shoot them, but reasonably, with minimum wastage for the police and the other power-wielding structures, those who cannot be persuaded, I mean. In a civilized fashion.

[Kiselev] You are not worried that they might try to get their own back and try and take...

[Lebed interrupting] Battle is a two-sided phenomenon. No, who shoots first laughs last, is the old expression.

[Kiselev] So you are prepared to make the first strike. OK, now, corruption. You say that there is a canopy of crime extending over all Russia, and so on. How high does this corruption reach?

[Lebed] Pretty high.

[Kiselev] Up to what sort of level?

[Lebed] Right up to government level.

[Kiselev] Right up to government level?

[Lebed] Yes.

[Kiselev] I see. Do you have some specific campaign against crime, any campaign plan with dates? When will the initial results of the anticrime campaign be seen?

[Lebed] When we get results we will meet and discuss them. Again, I am not going to set timeframes.

[Kiselev] So you may now be shaking the hands of some of your future victims.

[Lebed] What do you mean? I am not an executioner.

[Kiselev] Well, if you are going to shoot people, then...

[Lebed interrupting] You are already confusing different concepts. You asked me about organized crime, about gangsterism. In that case, yes, shoot them, those who do not put their hands up fast enough. But corruption, that's a totally different concept.

[Kiselev] Can crime be beaten without violating human rights?

[Lebed] It can.

[Kiselev] Will the regime in the country remain democratic, do you think?

[Lebed] Absolutely, it can only be democratic.

[Kiselev] You are a democrat, in your soul.

[Lebed] I understand democracy as a very wide framework. Within this framework, which also exists here, one is free to create, to dare, to live, to get rich, but one should remember that the framework limits exist in the form of laws.

[Kiselev] Aleksandr Ivanovich, I don't know whether you like jokes and funny stories. I have just recalled one about a colonel who sat down to write poetry and then got really upset because every poem came out like a regimental order. Do you ever catch yourself being disappointed like that?

[Lebed] No. No. Not so long ago one worker from Tula also tried to take home a sewing machine. He did take home certain parts. Each time he did work to assemble them, he built Kalashnikov rifles by accident.

[Kiselev] This story is not about you, is it? How can you prove it? Are you developing? What comforting words can you offer everybody? I do not think I will sound sensational in suggesting that many people are now cowering from fear of a certain Lebedization of the whole country. You understand what I am talking about, do not you?

[Lebed, sarcastically] Lebedization of the whole country! Russia used to be a swan. The symbol of Russia is a swan. That is normal. Enough bloodshed. We have exhausted our limits. We shall live! Therefore, I am inviting everybody to live. If some people disagree with me, that's too bad.

[Kiselev] One of your rivals has written a book, the title of which is something like "A Spit on the West." What is your attitude towards the West?

[Lebed] I have no attitude. We are friends with everybody. We are trading with everybody. We do not want to fight anybody. We have no territorial claims to anybody. Nor do we accept them from anybody.

[Kiselev] Thank you. Here are some callers.

[Viewer] I am Volodya from Moscow. I want to wish Aleksandr Ivanovich this: With your character and willpower, you must not allow yourself to be a toy in anybody's hands, you must not allow yourself to be a

Rutskoy [three words indistinct] or anybody to use you for their black deeds.

[Lebed] I thank you. That man is trying.

[Kiselev] Next caller.

[Female Viewer] Pardon my asking. How can one get to see you?

[Lebed, pausing] That is a difficult question. The Security Council in Staraya Ploshchad [Moscow square]. I will be at your service after the elections and after my return from Chechnya.

[Kiselev] The image of which general is the closest to you: Eisenhower, De Gaulle, or Pinochet.

[Lebed] The image of Lebed. I got this name from my father who bequeathed it to his sons and grandsons, too. I came into the world with this name. I am Russian. And however remarkable foreign experience might be, it cannot be adapted to our soil. Therefore, we must use our own brain to live. I understood this a long time ago and intend to stand firmly by this.

[Kiselev] Thank you.

Russia: Zyuganov Explains Stand, Answers Foreign Diplomats' Questions

LD0107143696 Moscow ITAR-TASS in English 1403 GMT 1 Jul 96

[By Lyudmila Aleksandrova]

[FBIS Transcribed Text] MOSCOW, July 1 (Itar-Tass) — Russian presidential candidate, communist Gennadiy Zyuganov today met foreign ambassadors and heads of foreign diplomatic missions at the Moscow commercial club to set forth his position ahead of the second round of the Russian presidential elections in which he is running against Boris Yeltsin and to respond to questions from the diplomatic corps.

Taking part in the meeting together with Zyuganov were members of the People's Patriotic Bloc, including Aman Tuleyev, another presidential candidate who dropped out of the race prior to the first round to make room for Zyuganov, Yeltsin's impassioned opponent Svetlana Goryacheva, film-maker Stanislav Govorukhin and Duma security committee chairman Viktor Ilyukhin.

Zyuganov recalled his campaign initiatives, including that which called for the formation of a coalition government of popular trust. "So many inventions and long tales have been voiced about our position (on the matter) that we decided to meet you," he told the diplomats.

The situation in the country continues to worsen, society is split, and the only way out is through the formation of a government that would enjoy popular trust, Zyuganov said.

"We hoped that there would be a serious discussion of our initiatives and even invited Boris Yeltsin to meet us live on television. Today I see that Boris Yeltsin is in bad shape and he is not ready for a discussion of this sort," Zyuganov said.

Zyuganov stressed that he thought the idea of forming a coalition government quite feasible, provided it brought together representatives of the People's Patriotic Alliance, the present Cabinet and the parties and movements represented in the State Duma lower house of parliament.

"The voters are in favour of easing tension in the country in a democratic, peaceful way," he said. According to Zyuganov, he has held numerous meetings to discuss his initiatives, and they were met with broad-based support everywhere.

On Monday, Zyuganov said, he held a meeting with the Islamic clergy, and a meeting with Russia's chief prosecutor was arranged for Tuesday.

Asked what he thought about the latest moves of Security Council Secretary Aleksandr Lebed and his statement on the possibility of forming a coalition government, Zyuganov replied that "Lebed speaks instead of Yeltsin, which is not very tactful when there is an active president."

As concerns the struggle against crime in the country, Zyuganov said his views on the matter coincided with those of Lebed and proposed raising a question about inter-ethnic conflicts and the struggle against organised crime and corruption at the next session of the United Nations, as these problems have acquired an international character and scope.

Russia: Zyuganov Faces 'Purge' of Allies in Event of Victory

MM0207083296 Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Jul 96 p 2

[Report by Igor Melnik under the "Showdown" rubric: "Bolsheviks Divided Again: Into Real Ones and False Ones"]

[FBIS Translated Text] According to the logic of things, the person who should be most interested in a victory for Boris Yeltsin in the presidential elections is...his opponent Gennadiy Zyuganov. Ridiculous? By no means. In the event of his own victory the CPRF [Communist Party of the Russian Federation] leader will have to confront the problems of a "purge" of his allies' ranks, and that is tougher than remaining in honorable opposition. At any rate, Zyuganov's comrades-in-arms from the coalition of people's patriotic forces have already started the "meter" running — the complaints of his brother Communists from Anpilov's RCWP [Russian Communist Workers Party] are serious to say the least. Comrade Gennadiy is accused of deviating from the idea of a "bright future" and of a policy of appeasement with the "criminal regime."

However, the RCWP's main grievance is that Gennadiy Zyuganov does not intend to include "Working Russia" party representatives Viktor Anpilov and Albert Makashov in the coalition government he is planning. At a recent press conference given by former Moscow mayoral candidate Olga Sergeyeva (the candidate from the coalition of people's patriotic forces), she stated: "Rank-and-file members are perplexed by Zyuganov's proposals on forming a coalition government, especially since the real communists have not been invited to join."

Sergeyeva threatened unequivocally that in the event of a victory for Gennadiy Zyuganov "the RCWP will certainly go into opposition." And in view of the extremist nature of Anpilov's party it is not yet known whether the CPRF leader will be able to hold onto power — at any rate, a blow from yesterday's allies could prove fatal for him. You cannot envy Gennadiy Zyuganov — after all, apart from the threats, the RCWP already intends to "play a dirty trick" on him by calling for a boycott of his candidacy for the elections on 3 July.

Russia: Boycott Could Cost Zyuganov 5 Million Votes

MM0107142996 Moscow KOMSOMOLSKAYA PRAVDA in Russian 28 Jun-5 Jul 96 p 3

[Article by Sergey Makarov: "Zyuganovites Do Not Trust Zyuganov"]

[FBIS Translated Text] The closer we get to the election the more bitter the infighting becomes in the candidates' camps. It seems that the Zyuganovites, who gathered 25 June for a meeting of communist and patriotic organizations belonging to the people's patriotic coalition "to compare notes," have seized the initiative from the Yeltsin team, which has been unable to maintain its unity until 3 July and has driven out of its valiant ranks several "saboteurs." Representatives of the RCWP [Russian Communist Workers Party], the Union of Workers of Moscow, the UCP-CPSU [Union of Communist Parties-CPSU], the "Working Russia" movement, the All-Russia Officers Assembly, the "Lenin and the Fatherland" society, and several other patriotically inclined organizations participated in the meeting. There was a discussion of the situation that has developed in the coalition in connection with the "revisionist and heretical" policy of the CPRF [Communist Party of the Russian Federation] First Secretary G. Zyuganov.

In the opinion of the assembled representatives, the CPRF leadership has recently taken a series of actions to surrender directly the positions of the people's patriotic forces and to come to an agreement with the anti-people regime. It was stressed that the abandonment of communist principles in the bloc's program, the policy to recognize private ownership, and the establishment of close relations with bankers were but Zyuganov's first steps in this direction and it is no surprise that attempts were subsequently made to remove from the bloc leadership the "true communists and patriots" — O. Shenin, V. Anpilov, V. Tyulkin, V. Achalov, and A. Makashov.

On the basis of the results of the meeting, the RCWP Central Committee organizing committee adopted an appeal to party and "Working Russia" movement activists. It mentions inter alia the fact that at the beginning of June G. Zyuganov and several members of his entourage began work on the documents for a new party of social democratic orientation. According to their plan this party could replace the CPRF and the whole patriotic coalition after Zyuganov comed to power. Having carefully examined the draft program, the writers of the letter came to the conclusion that this would be a party of social capitulation with pro-Western leanings whose charter, according to their information, has been approved by bankers from the rather well-known "group of 13."

G. Zyuganov's 24 June speech, in which he offered ministerial posts to Yu. Luzhkov, M. Rakhimov, and Ye. Stroyev, really offended the true patriots: There was no room for the leaders of the people's patriotic coalition here.

"A deal had been struck. G. Zyuganov and his entourage have paid for posts in an anti-people government by forfeiting a popular victory in the election and agreeing de facto to the regime's blatant falsifications," the letter says.

Those who attended the meeting decided that despite Zyuganov's "treachery" they will not leave the people's patriotic coalition. This in their view would only play into the regime's hands. At the same time it was deemed necessary to consistently expose both Zyuganov himself and his policy for rapprochement with the criminal regime. In order not to play into the hands of the traitor candidate and to avoid bearing responsibility for "the defeat of the people's patriotic forces planned by him," it was decided to boycott the 3 July election.

In its way this is a sensation, although such a practice is in principle characteristic of the radical communists — they had already boycotted the 1993 election. Nevertheless, if the current decision is put into effect, G. Zyuganov, according to rough estimates, could lose up to 5 million votes. Be that as it may, it is becoming clear that the opposition that has long existed in the patriotic camp has finally decided to make its presence felt. Such a change of direction is extremely dangerous for the CPRF's current leaders: The bloc which at first looked fairly powerful could collapse before our eyes.

The radical communists also decided to begin organizing from 25 June a congress of all members of the people's patriotic coalition who have not gone down the road of betraying the working people's interests. In the opinion of the patriots, the economic situation in the country is already deteriorating badly and we should expect a powerful wave of popular dissatisfaction as early as this fall. "Repression by the regime and heretics from the present CPRF leadership may be visited upon the communists and patriots. We should be ready for this. At least the left-wing and patriotic forces ought to be ready for an illegal situation and to lead a popular protest," the letter says.

In connection with the critical situation, it is recommended that comrades all over the country show particular vigilance taking into account the possibility of provocations by the ruling regime.

Russia: Zhirinovskiy To Vote Against Both Candidates in Second Round

LD0107142496 Moscow INTERFAX in English 1406 GMT 1 Jul 96

[FBIS Transcribed Text] MOSCOW, July 1 (Interfax) — Liberal Democratic Party leader Vladimir Zhirinovskiy will vote against all in the second round of elections, he told Interfax in an exclusive interview Monday.

He was confident that most of his supporters will follow his suit and will not give their votes to either of the two candidates.

Zhirinovskiy called on his electorate not to support Communist Party leader Gennadiy Zyuganov in the second round of elections at a news conference last Friday. His electorate is some 4 million strong.

"Zyuganov is most dangerous for us, he is a tougher competitor," Zhirinovskiy said. "His party influences one third of the Russians today.

"I do not proceed from narrow party interests," he said. "Simply, Zyuganov's ideology is dangerous for Russia."

According to Zhirinovskiy, Russian President Boris Yeltsin will win 49 percent of votes, and Zyuganov 48 percent of votes.

Russia: Tuleyev Must Repay R300 Million After Election Withdrawal

MM0207092296 Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Jul 96 p 2

[Report by Sergey Chernykh: "Debts: Tuleyev Owes Exchequer 300 Million"]

[FBIS Translated Text] Amangeldy Tuleyev must repay a minimum of 300 million rubles [R] to the exchequer because of his withdrawal from participation in the elections. This was stated by Viktor Karpunov, member of the Central Electoral Commission, at a press conference in Omsk. The money will be exacted in accordance with the Law on Elections. According to Karpunov, 300 million is only the money that "is indisputably subject to repayment." That sum was allocated by the state for conducting the election campaign. The direct expenditure associated with the manufacture of posters, the sending of telegrams to the regions, pay for campaigners, and so forth totals R2-3 billion, according to some figures. Where the ex-candidate is going to get money like that is not known. At the moment of withdrawing is candidacy, Tuleyev had only R10,000 in his account.

Russia: MVD Patrols Stepped Up; No Defense Ministry Personnel

MM0107183296 Moscow ROSSIYSKIYE VESTI in Russian 2 Jul 96 p 1

[Report by Mikhail Sevastyanov: "Reinforced Configuration"]

[FBIS Translated Text] On 3 July all structures of the Russian Federation Ministry of Internal Affairs [MVD] will perform their service in a reinforced configuration.

As was emphasized to ROSSIYSKIYE VESTI's correspondent in a conversation with the head of the department, Army General Anatoliy Kulikov, this does not mean introducing a "special situation" ["osoboye polozheniye"]. The reinforcement variant envisages increasing troop details [voyskovyye naryady] and the number of internal affairs organ staffers in public places, at polling places, and at guarded installations. The said variant does not presuppose the participation of Defense Ministry personnel in these protection measures.

Russia: Three 'Serious' Violations Reported in First Round

LD0107203996 Moscow ITAR-TASS in English 2022 GMT 1 Jul 96

[By Olga Solodova]

[FBIS Transcribed Text] MOSCOW, July 2 (Itar-Tass) — Russian election officials said on Monday three serious irregularities were reported during the first round of presidential election on June 16 and all of them are being investigated.

Arkadiy Melnikov, head of a department overseeing the implementation of laws at the Public Prosecutor's Office, told journalists at a press conference that one violation was reported in the Rostov region and the other two in Moscow.

He said the Public Prosecutor's Office received over 130 reports of irregularities in the run-up to election most of which concerned the procedure for collecting signatures in support of presidential candidates and improper propaganda.

He cited several examples. On June 15 — a day before the election when all propaganda is banned by law — a local newspaper in the Maritime region carried an article titled "We Choose Zyuganov, Because..." while in the Kurgan region a woman was urging her fellow villagers on the local radio to vote for Zyuganov.

A special team set up by the Public Prosecutor's Office reported 20 irregularities on June 16.

In Chechnya, rebels attacked one polling station and stole all ballot papers.

Melnikov said that there have been no complaints about the work of electoral commissions.

Russia: Post-3 Jul Scenario Predicted in Event of Yeltsin Defeat

MM0107161396 Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Jul 96 p 3

[Article prepared by Analytical and Politico-Strategic Research Foundation under the leadership of Professor G. Rudnitskiy: "What Might Happen After 3 July?" followed by "Essential Commentary" by KOMSOMOLSKAYA PRAVDA Politics Section]

[FBIS Translated Text] You have before you a scenario for the development of events in Russia after 3 July, prepared by a group of experts from the Analytical and Politico-Strategic Research Foundation under leadership of Professor G. Rudnitskiy. What sort of nonsense is this? our readers may ask. Alas, in our country stranger things than that have come about....

The forecast is predicated upon "an unconvincing win or a defeat for Yeltsin in the second round of the election."

The Night of 3 July, Early Morning 4 July

The Central Electoral Commission [TsIK] disseminates provisional data on the election results. Against the optimistic picture painted by the official mass media, these data sound staggering. The incumbent president has failed to outstrip his opponent in the key regions — Irkutsk Oblast, Krasnoyarsk Kray, Novosibirsk and Omsk Oblasts, Bashkortostan and Tatarstan, and in the North Caucasus. Here the rivals are neck and neck. The voting in the "Red Belt" is pro-Communist: Zyuganov is 10-20 points ahead. At the same time the turnout in the democratic regions has turned out to be lower than in the first round of the election. Toward the end of the day a picture emerges of a negligible lead for Yeltsin over his rival owing to the votes of the Urals, Moscow, and St. Petersburg. Yeltsin is ahead of Zyuganov by 1.5-2 percentage points. But in reality this is the possible error in the vote count occasioned by the actual counting system.

Evening of 4 July

The Communists' leaders declare that the data obtained under the alternative count by observers from the People's Patriotic Coalition do not tally with the Central Electoral Commission data and that there is prime facie evidence of election fraud. The CPRF [Communist Party of the Russian Federation] Central Committee disseminates a statement "On the Victory of Gennadiy Zyuganov."

The night before 5 July the TsIK officially declares that according to the preliminary voting results, Boris Yeltsin has won by a small margin. In its turn, the CPRF Central Committee issues a statement about a coup being initiated in the country by the president and his entourage.

The Morning of 5 July

In the morning the leadership of the People's Patriotic Coalition calls upon activists to take to the streets. The State Duma starts playing the part of headquarters of the coalition. An urgent sitting on the question of Yeltsin's coup and measures to counter it begins. The members of the democratic factions leave the Duma.

Toward noon up to 30,000 people appear on the streets of Moscow. Red flags are in evidence everywhere. Some of the oppositionists are armed. Flyposting of placards and the texts of President Zyuganov's directives which have been printed in advance begins.

In an address to the country, Boris Yeltsin declares that he has won the election and calls on people not to succumb to provocations by the opposition which lost.

On the initiative of the democratic parties a mass rally assembles in the center of Moscow under the slogan "Fascism will not pass." In the afternoon a statement by a group of influential bankers and entrepreneurs demanding that the president introduce a state of emergency in the country is disseminated. They are supported by Premier Chernomyrdin and the majority of ministers. The leaders of the power departments limit themselves to declarations of loyalty to the constitution.

By evening columns of communist demonstrators under the leadership of radical communist leaders, in particular Anpilov and Makashov, are moving toward the democrats' rally. Massive clashes occur. Slogans proclaiming "Long Live President Zyuganov!" appear.

Foreign cars that have been overturned are burning on the central streets, glass from the shattered windows of stores and the offices of foreign firms is flying. Rumors spread to the effect that Barkashov's thugs, disguised as communist functionaries, are burning commercial kiosks on the outskirts of Moscow. Reliable information is not available.

The Kremlin, the "White House," the City Hall and also television and the editorial offices of the biggest newspapers are surrounded by a ring of spetsnaz [special troops].

At 2200 an appeal by President Yeltsin to the peoples of Russia is relayed on all radio and television channels. The President declares a state of emergency caused by the provocative actions of the CPRF which have caused human casualties. The president reports that for the sake of preserving civic peace in Russia he has decided to ban the CPRF and suspend the State Duma.

The Russian Government, meeting in full, declares its support for the president. Units of the Moscow Military District loyal to Yeltsin and subunits of other power departments enter Moscow.

In the night Gennadiy Zyuganov and a group of CPRF leaders succeed in secretly getting out of the capital.

6 July

The situation in Moscow is being monitored by troops and the forces of law and order supporting President Yeltsin. The headquarters of organizations which operated on the side of Zyuganov are closed and sealed. Their leaders and activists who remain in Moscow are arrested, accused of fomenting mass disorder. The mass media broadcast reports on the Communists' plans to eliminate the democratic opposition which have been obtained from the seized archives of the CPRF Central Committee and from G. Zyuganov's election staff.

The operations by the federal forces in Chechnya are paralyzed. Reports come in of clashes between the supporters of B. Yeltsin and those of G. Zyuganov within the actual grouping of federal troops.

In the evening the news agencies report that G. Zyuganov and other CPRF leaders have arrived in Tambov where they have declared the creation of a government of National Salvation and the start of an armed struggle against Yeltsin and his "regime of occupation." Zyuganov reads out data on the 3 July voting obtained from the "electoral commissions of people's confidence." According to these figures he is 15 percentage points ahead of Yeltsin. On this basis Zyuganov declares himself president.

The newspapers cautiously cite quotations from the government of National Salvation's Appeal. The gist is as follows: Zyuganov intends **"to struggle to the end against the regime of occupation which has crudely flouted the results of the expression of the people's will and has therefore outlawed itself."**

Deputy Sergey Baburin has arrived in Omsk. An extraordinary Congress of Siberian people's deputies is announced. Clashes take place in the city but as a whole the situation is under the control of the local administration which supports Yeltsin.

Toward evening reports begin coming in of support for President Yeltsin by the organs of power of St. Petersburg, Leningrad , Moscow, Samara, Kirov, Nizhniy Novgorod, Vologda, Sverlovsk, Perm, Chelyabinsk, Arkhangelsk, and Murmansk Oblasts, and by the leadership of Komi, Chuvashia, Mariy El, and Kalmykia. The command of the Moscow, Leningrad, Volga-Ural, and Siberian Military Districts and the Baltic and Black Sea fleets report their loyalty to the president.

Two Weeks Later

A parallel center of "people's resistance" headed by Aman Tuleyev is set up in Kemerovo. Zyuganov is recognized as president by the power structures of Lipetsk, Penza, Satarov, Ulyanovsk, Kursk, Belgorod, Smolensk, Bryansk, Chita, and Amur Oblasts, and Altay Kray. Skirmishes arise in Voronezh between supporters of the pro-democratic governor and the Legislative Assembly which is controlled by the Communists. A dyarchy arises in Volgograd and Kurgan Oblasts. The mayors of oblast capitals who are on Yeltsin's side try to remove from their posts governors who are supporting Zyuganov. The situation in the Black Sea Fleet is developing. Certain officers are displeased at the support for Yeltsin given by Admiral Viktor Kravchenko, commander of the fleet. Officers opposed to Yeltsin arrest the admiral and declare loyalty to "the legitimate president of Russia, G.A. Zyuganov." At the same time it is announced that henceforth Sevastopol is "part of the Russian Federation." In response Ukraine puts its armed forces on combat alert. The government of Ukraine protests to the UN Security Council, asking the international community to render assistance in protecting its national sovereignty and territorial integrity.

In connection with the danger of operations by government troops against the opposition leaders, the government of People's [as published] Salvation and Zyuganov move from Tambov to Ulyanovsk.

The command of the Transbaykal Military District decides to support "people's President" Zyuganov. The leadership of the Siberian Military District splits. In Irkutsk a small military unit declares its support for G. Zyuganov. Other units of the garrison remain loyal to Yeltsin. Shootouts flare up in the city. Under pressure from the superior forces of the Yeltsin supporters, backed by police and security forces, the Zyuganovites are forced to quit the city.

In Early August

B. Yeltsin in Moscow and G. Zyuganov in Ulyanovsk send an appeal to the armed forces supporting them to refrain from seizing installations of the strategic nuclear forces and to prevent bandit groupings from seizing nuclear power stations.

Tatarstan's president issues an ultimatum to the federal forces and demands that order be restored in the country within a week. Otherwise he threatens to pull Tatarstan out Russia. A few hours later his initiative is supported by the president of Bashkortostan.

An armed mutiny breaks out in the Baltic fleet which recognized Yeltsin: Kronshtat recognizes Zyuganov's presidency.

Detachments of miners from Belov, Prokopyevsk, Mezhdurechensk, and other cities of Kemerovo Oblast begin to March on Krasnoyarsk with a view to dealing a decisive blow "against Yeltsinism in Siberia." In response to this the administration of Krasnoyarsk Kray which had initially avoided radical decisions, declares the creation of a Siberian Republic and makes an appeal to other cities, oblasts, and krays of Siberia to unite. The Krasnoyarsk administration begins the formation of a people's home guard and a regular army.

In Tula and other cities of Central Russia, pogroms against Caucasians begin. On the streets there are muggings, violence and murders.

In Yekaterinburg fighting flares up between criminal gangs. The city is paralyzed as a result: There is no bread, water, or electricity.

At a congress of representatives of the "Zyuganovite" territories of southern Russia, Krasnodar is declared the provisional capital of the "South Russian Confederation" all the way to the territorial reunification with the "red belt of the Chernozem region."

A congress of governors representing democratic regions — E. Rossel, B. Nemtsov, A. Lisitsyn, N. Spiridonov, et al. — opens in Moscow. The creation of a Union of Northern Russia is proclaimed at the congress. At the same time the congress appeals to the United Nations, proposing that support be given to "the government of Democratic Russia." There is no official reaction from the international organizations.

Foreign aviation companies one after the other suspend flights to Russia.

In Mid-August

The UN Security Council has demanded of the government and president of Russia that an immediate end be put to the mutiny. The same morning armed detachments of the UNA-UNSO [Ukrainian National Assembly-Ukrainian People's Self-Defense] and other Ukrainian Nationalist organizations cross the border into Voronezh, Belgorod, and Kursk Oblasts. The motive for their actions is, they explain, **"a response to the expansion of Russian imperialism which tried to annex Sevastopol."** The Ukrainian Government keeps mum about the actions of the UNA-UNSO.

The new command of the federal troops in the North Caucasus has declared the preparation of a "liberation march on Moscow."

Tragic events occur at Sheremetyevo international airport. Thousands of passengers in possession of tickets who want to depart, smash the offices of foreign aviation companies. The protection personnel are forces to use weapons. The airport's work is paralyzed. The cost of a single seat to Berlin reaches $20,000.

The situation in Belgorod, Voronezh, and Kursk Oblasts becomes critical. Detachments of Ukrainian nationalists approach the administrative centers of those oblasts.

In Samara, Vologda, and Kirov which are in the grip of mass disorder, famine begins.

Detachments of Kemerovo miners cross the border of Krasnoyarsk Kray and enter nearby villages. Clashes with detachments of the Kray's self defense forces begin.

Detachments from the federal forces in Chechnya make assault landings in Astrakhan and Volgograd.

Tatarstan, Bashkortostan, and Yakutia declare that they are withdrawing from Russia. The presidents of those republics request that the United Nations guarantee their sovereignty and ensure noninterference in their internal affairs.

Reports come in of coups in Vladikavkaz, Nalchik, Cherkessk, and Makhachkala. The presidents of the North Caucasian republics are removed and nationalists come to power. On the same day the creation of a new state entity — the Confederation of Caucasian Republics — is announced and Abkhazia joins it.

Yandarbiyev, leader of the Chechen separatists, welcomes the victory of "freedom-loving Caucasian peoples." Heavy fighting is going on in Groznyy between Russian troops and Caucasian gunmen. The command of the federal forces in Chechnya makes the decision to temporarily suspend the "march on Moscow" in connection with the need to "put down the mutiny of the Caucasian separatists."

Endless conferences take place within the United Nations and NATO. However, all attempts to reach a decision about intervention in Russia under the UN flag are fruitless. The governments of the leading countries are aware that the mobilization of the resources of the whole world community would be needed to put down the troubles in Russia.

The leadership of China, India, and a number of other major countries oppose interference in Russia's internal affairs.

End of August

Reports come in from Tajikistan about the flight of the republic's president and the formation of a provisional government of the united opposition. A date for elections is fixed. The Russian 201st division keeps neutral and stays in barracks. Reports appear of reprisals against the families of Russian officers.

Turkey, Iran, and certain other countries declare their recognition of the state independence of Tatarstan, Bashkortostan, and the Confederation of Caucasian republics, and also their readiness to render them economic and military assistance "with the aim of protecting their state borders and independence."

The mejlis of the Tatar people of Crimea publish an appeal to the world community demanding protection against a new genocide. The Turkish Foreign Ministry responds with a declaration which says that **"Turkey cannot remain indifferent when the rights of the indigenous population of Crimea are being flouted and therefore it reserves the right to intervene in the name of humanity and so as to save human lives."**

Belgorod is seized by Ukrainian nationalists and "returned to Ukraine" as the UNA-UNSO Central Council proclaimed.

In formation continues to come in about heavy fighting in Groznyy. General Achalov arrives to organize defense in the city.

Detachments of gunmen seize Groznyy. The CSCE [as published — OSCE presumably intended] mission is evacuated from Groznyy as a matter of urgency.

The Dniester Moldavian Republic proclaims itself the Dniester Soviet republic and declares that it is joining the South Russian Confederation. President G. Zyuganov welcomes **"the return of yet another part of age-old Russian lands to the fold of Mother-Russia."**

The Black Sea Fleet curtails operations because of a fuel blockade. Ukraine's President Leonid Kuchma, and Georgia's President E. Shevardnadze announce the readiness of Ukraine and Georgia respectively to offer bases and supplies to ships of the U.S. 6th Fleet which is operating in the Black Sea under NATO's flag.

The UN secretary general declares the readiness of the international community to render humanitarian aid to the "states of Russia" on condition that **"nuclear weapons, and the means of their production and delivery are placed under the control of international forces."**

In Moscow the streets are patrolled by troops of the Moscow Military District. At night firefights break out in the suburbs. Food rationing is introduced.

In the unfinished Church of Christ the Savior, Patriarch Aleksiy conducts prayers round the clock for the Land of Russia's deliverance from those committing sacrilege....

[Dated 25 June 1996]

Essential Commentary [by KOMSOMOLSKAYA PRAVDA politics section]

Contradictory feelings arise when reading the scenario prepared by the experts of the esteemed foundation. For we are living in 1996, not 1917. Are bloody upheavals really possible in a country that is already exhausted as it is by countless wars and revolutions?

On the other hand we all know: History teaches only that it teaches nothing. And in 1917 few people even dreamed that the shot from the Avrora would be followed by cataclysms that carried away the lives of tens of millions of people. And the recent events of 1993 are still fresh in the memory....

This is why we have decided nonetheless to publish this totally joyless scenario. Not in order to frighten anyone. With the sole intention of making everyone reflect: What life are we selecting on 3 July?

Before publishing the scenario we tried to find out the opinion of it of people who are directly responsible for civil peace and tranquillity. The text was sent to Security Council Secretary Aleksandr Lebed. So far we have heard only the reaction of Aleksandr Ivanovich's [Lebed's] assistant in the State Duma, Vladimir Titov: All this is rubbish and you will see that Lebed himself will give you the same answer. He will not permit any clashes, and has stated this repeatedly."

God grant that that is so! Meanwhile the events of recent days indirectly confirm the anxiety of the Security Council's secretary at the situation in the country. On Saturday, after meeting with the personnel of one of the special forces subunits, Lebed held a lengthy conversation with Yevgeniy Podkolzin, commander of the Airborne troops. One can only guess at what the two combat generals talked about behind closed doors. It would be all right if it was exclusively about "methods of enhancing combat and political training of the paratroops" as was mentioned before. But as early as the evening of the same day, when participating in the Television program "Moment of Truth," Aleksandr Lebed for the first time stated the need to introduce the post of vice-president. And he linked this directly with the events in the North Caucasus and particularly in Chechnya.

The fact that once again society is split is felt by everyone every day: on the streets, in transportation, and frequently within families. To prevent overt confrontation is the task that we the voters, and not the politicians, have to resolve.

As for the scenario, well, it is a scenario and this is best that not a single point of it should come about. We appeal individually to the inhabitants and leadership of the republics mentioned in the text: Don't, taking this at face value, respond with angry letters and refutations. Read it, think about it, and then decide.

Russia: Ryabov Assails 'Premature' Kazakhstan Poll Result Publication

LD0107160696 Moscow ITAR-TASS World Service in Russian 1131 GMT 1 Jul 96

[by ITAR-TASS correspondent Igor Belskiy]

[FBIS Translated Text] Moscow, 1 Jul (Itar-Tass) — Nikolay Ryabov, chairman of the Russian Central Electoral Commission, today called the publication of results of early voting in the Russian presidential elections held for Russian citizens in Kazakhstan over the weekend "absolutely unacceptable." In a conversation with journalists he gave an official warning today to those who "permit such actions." The chairman of the Central Electoral Commission said that "the premature publication of voting results, albeit in only one or a few districts, has a direct influence on the secrecy of the ballot throughout the Russian Federation."

Nikolay Ryabov said that the Central Electoral Commission intends to institute criminal proceedings against persons who made public the results of voting in Kazakhstan.

Russia: Timing of Release of Election Results Reported

LD0107155996 Moscow INTERFAX in English 1540 GMT 1 Jul 96

[FBIS Transcribed Text] MOSCOW, July 1 (Interfax) — Early results of the second round of the Russian presidential elections channelled through the Elections state-managed automatic system will be released at 11:00 p.m. and midnight on July 3, and at 1:00 a.m., 2:00 a.m., 3:00 a.m., 5:00 a.m., 8:00 a.m., 12:00 p.m. and 6:00 p.m. on July 4, Aleksandr Ivanchenko, Russian Central Electoral Commission deputy chairman, said at the commission's session im Moscow on Monday.

Early reports regarding voter turnout in the July 3 runoff are expected to be released at 10:00 a.m., 2:00 p.m., 6:00 p.m., 7:00 p.m., 8:00 p.m., 9:00 p.m. and 11:00 p.m. on July 3.

CIS: ITAR-TASS Carries Press Review for 2 Jul

LD0207053896 Moscow ITAR-TASS in English
0502 GMT 2 Jul 96

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW, July 2 (Itar-Tass) — Follows a review of Tuesday's Moscow-based Russian newspapers. The press highlights the forthcoming presidential election runoff, due on July 3.

ROSSIYSKAYA GAZETA declares that "all roads are leading to the polling station" and runs President Boris Yeltsin's televised address and the Central Electoral Commission's address to the electorate.

KRASNAYA ZVEZDA carries an article headlined "To make a choice is our right" by Oleg Andreyev.

The newspaper calls for regarding July 3, the presidential election runoff date, not as a "certain H-hour — our entire Russian reality has been for a long time already resembling a struggle — but view it calmly and professionally. One would like to believe that the electoral process will now firmly become a habit with us," Andreyev concludes.

KOMSOMOLSKAYA PRAVDA calls for choosing not between the gray-headed person or a baldhead but between "tomorrow" and "yesterday".

"Everything or almost everything is amendable for the people — provided one goes ahead and not returns to the old ways," Valery Simonov points out.

KOMSOMOLSKAYA PRAVDA on the state of affairs in the Defence Ministry.

"Aleksandr Lebed is now viewed in the Ministry of Defence as a certain idol who has brought hope," the newspaper points out. However, the atmosphere in the Ministry is not easym and rumours about 70 generals who are expected to be dismissed after July 3 are not unfounded, points out Igor Chernyak, the writer of the article.

"The arithmetic is simple: under Grachev, the Ministry's top officials privatised about 300 official cottages, and unlawfully purchased tens of apartments in Moscow's prestigious districts on the Ministry's money"

However, the recent resignation of seven generals aroused mixed reactions in the Ministry. While agreeing that the generals were dismissed "deservedly", Ministry people believe that Lebed's error is that he did not explain to everyone of those dismissed what exactly they were dismissed for. Therefore such actions are likened to the voluntarism of Stalin and Khrushchev, the newspaper writes.

TRUD examines real measures which must be taken in the fight against crime in Moscow. An anti-crime campaign has been announced by Moscow Mayor Yuriy Luzhkov and Aleksandr Lebed, Secretary of Russia's Security Council and the President's national security adviser.

ROSSIYSKAYA GAZETA carries an interview with Vladimir Korelskiy, Chairman of the Russian State Committee for Fisheries, who described the state of affairs in the fishing industry.

RABOCHAYA TRIBUNA on the crisis situation in the Caspian fisheries.

Professor Kamil Bekyashev, Dr. of Science (Law), Head of the International Law Faculty at the Moscow State Legal Academy, and member of the Standing Chamber of the UN arbitration court, tells the newspaper what must be done to save the Caspian resources.

ROSSIYSKAYA GAZETA runs a dispatch by the newspaper's correspondent Pavel Palchikov from Stary Oskol in Belgorod Region about the local bakery complex.

This enterprise, if compared with others, lives as if in a differenet dimension: it has a rather high profitability, no fluctuation of labour, an average of wage is about two million roubles, and there are serious prospects for the future.

ARGUMENTY I FAKTY dwells in detail on the numerial analysis of the fact which was pointed out recently by the Statistical Bureau of the European Union: Moscow is the most expensive capital in the world. Prices of imported goods and services are 50 or 100 percent higher than in the countries of origin, and are compared with the average Moscow pay which is not more than 145 dollars a month.

Baltics: Council of Baltic Sea States To Convene 2 Jul in Sweden

WS0207112396 Tallinn BNS in English
1000 GMT 2 Jul 96

[FBIS Transcribed Excerpt] Tallinn, Jul 2, BNS — The Council of the Baltic Sea States will Tuesday [2 July] convene in the city of Kalmar, Sweden. Foreign Minister Siim Kallas will represent Estonia at the meeting.

The meeting will be chaired by Swedish Foreign Minister Lena Hjelm-Wallen. Sweden at present holds the presidency of the council. Participants include foreign ministers of the 11 member nations, European Commission's Commissioner for Foreign Affairs Hans van den

Broek, and Guy Mitchell, the minister for European affairs of Ireland, which Monday took over the presidency of the European Union.

"The most important topic to be discussed in Kalmar is the cooperation between the European Union and the Council of the Baltic Sea States," a spokesman for the Foreign Ministry in Tallinn told BNS. "The European Union promotes the financing and implementation of several regional cooperation projects."

The spokesman said joint projects helped the countries bordering on the Baltic Sea to better integrate into the European trading bloc and prepared the expansion of the union into the Baltic region's non-member states.

The annual meeting will sum up the past year's work and the results of the Visby summit, as well as discuss the possibility of making summits regular, the Foreign Ministry official said.

The council is also going to hear High Commissioner for Democratic Institutions and National Minorities Ole Espersen's report on the situation in member states.

The event will be attended by foreign ministers of the 11 memberstates of the council, as well as Hans van den Broek from the European Commission and Irish Minister of European Affairs Guy Mitchell. [passage omitted]

Latvia will in Kalmar take over from Sweden the presidency of the Council of the Baltic Sea States.

Baltics: Latvia To Assume Presidency of Baltic Sea Council 3 Jul

WS0207093996 Tallinn BNS in English
1600 GMT 1 Jul 96

[FBIS Transcribed Text] Riga, Jul 1, BNS — Latvia's one-year presidency in the Council of the Baltic Sea Countries will begin on July 3, BNS was told in the Foreign Ministry's press center.

Latvia will take over presidency from Sweden during the 5th session of the council's foreign ministers.

The session will focus on the Baltic sea countries' cooperation programs as well as the development of relations between the council and the European Union.

Latvia will be represented in the session by Foreign Minister Valdis Birkavs, and he is scheduled to meet with his Danish counterpart Niels Helveg Petersen, as well as Swedish and Finnish foreign ministers Bjorn Tore Godal and Tarja Halonen.

The Council of Baltic Sea Countries comprises 11 states — Latvia, Lithuania, Estonia, Finland, Sweden, Norway, Denmark, Germany, Iceland, Poland and Russia. The council was founded in 1992.

Baltics: Lithuania Passes Presidency of Baltic Council to Estonia

WS0207112096 Tallinn BNS in English
1000 GMT 2 Jul 96

[FBIS Transcribed Text] Vilnius, Jul 2, BNS — Lithuania wound up the presidency in the Baltic Council of Ministers and passed it to Estonia on July 1.

On Monday, the Lithuanian foreign ministry held a meeting with diplomats of the European Union, associate countries, United States, Norway and European Commission to discuss key priorities in the Baltic cooperation during Lithuania's one-year presidency in the Baltic Council of Ministers, founded on June 13, 1994.

When it took over the presidency, Lithuania focused on the development of the Baltic transport infrastructure, increasing border passage capacity and unification of customs procedures, the foreign ministry's information office said.

The priority was also given to the development of information infrastructure within customs, border guarding and crime prevention systems, foreign policy coordination and cooperation in the field of security and peacekeeping, as well as creation of the "joint education space."

During Lithuania's presidency, the Baltic states signed a three-way treaty on free trade in farming produce, bilateral agreements on investment promotion and protection, social security agreements, a trilateral agreement on cooperation in environmental protection.

An active military cooperation has been taking place in the Baltics. The focus is on the creation and training of the peacekeeping battalion BALTBAT, exchange of information, standardization of communicative systems, coordination of sea and air space monitoring systems and joint exercises.

The BALTBAT will be completely ready for operation in mid-1997.

Russia: Clinton, Chernomyrdin Quizzed on Yeltsin's Health in Lyon

MM0207094896 Moscow TRUD in Russian 1 Jul 96 p 4

[Report by TRUD correspondent Vyacheslav Prokofyev: "Russian Theme at the Lyon Summit. Regarding the Results of the Summit of the World's Leading Industrially Developed Countries"]

[FBIS Translated Text] Lyon-Paris — It is generally agreed that the meeting of the leaders of the leading industrially developed countries in Lyon was superbly organized and went off virtually without a hitch thanks to the efforts of its hosts.

Apart from a few minor details, that is. Such as, for instance, the choice of venue for Bill Clinton's press conference, which was held outdoors in the city's "Tete d'Or" park not far from a small artificial lake. So the U.S. President had to fend off not only tricky questions from journalists but also common or garden mosquitoes, which, unlike the residents of Lyon, care nothing for the local laws of hospitality.

Reporters were especially persistent in asking Bill Clinton how his Russian counterpart Boris Yeltsin is feeling. The U.S. President, who had met with our Premier Viktor Chernomyrdin the previous day, assured journalists that the incumbent of the Kremlin is "absolutely fine." "He has a sore throat," the U.S. President explained, citing information from the head of the Russian Government. "I also had something similar before the elections."

For his part, at his final meeting with the press Viktor Chernomyrdin denied the rumors that Boris Yeltsin has been feeling worse in recent days and stated that the president "is in brilliant form." The prime minister also added that "there can be no doubt that he will be able to superbly perform the duties of head of state for the next four years if he wins the elections." Viktor Chernomyrdin also disclosed that he talked with Boris Yeltsin before departing for Lyon and received final instructions from him. The Russian premier hinted that the flow of investments into the Russian market depends on the outcome of the 3 July elections, and in the first quarter of the year, according to him, they ran at double the level of the same period last year. The prime minister emphasized that Russia is not going to expedite its entry into the club of the leading industrially developed countries but will do this stage by stage.

The Russian participation in the Lyon summit and, in particular, in the discussion of questions of global politics was yet another step along the road of Russia's integration into the world community, it is believed here. A few days before the second round of the presidential elections the participants in the Lyon meeting issued a statement welcoming Russia's achievements along the road of implementing economic reforms and democracy. According to French President Jacques Chirac, Russia is showing "clear signs of improved health," while Michel Camdessus, director general of the International Monetary Fund, who was invited to the summit, gave a positive assessment of Russia's efforts to curb inflation. Presumably this favorable mood will strengthen our hand for joining the World Trade Organization (the former GATT) and the Organization for Economic Cooperation and Development (OECD) and will also help transform our former role of debtor in the Paris Club into a different role — that of creditor (the Third World countries owe Russia many tens of millions of dollars).

In addition to a 40-point program for combating terrorism and organized crime, the summit participants advocated assistance to underdeveloped countries, especially African countries. It was decided that over two-thirds of their debts will be restructured or altogether written off. The summit participants also put forward the initiative of concluding a treaty on a comprehensive nuclear test ban so it can be signed before the start of the 51st UN General Assembly session in September. The summit particularly noted the progress in the sphere of nuclear security since last April's Moscow summit.

The end of the Lyon summit was marked with fireworks, dancing, and a concert involving both local performers and foreigners. Admittedly, Johnny Halliday, the unfading idol of French youth, refused to go on stage at the last moment because the organizers of the festival had done something to annoy him. So he and the mosquitoes that bit Clinton were the only slight blots on the general impression of the three days for which the Gaulish capital was the capital of the world.

Russia: Moscow Welcomes Karadzic's Decision To Step Aside

LD0107112196 Moscow ITAR-TASS World Service in Russian 0900 GMT 1 Jul 96

[By ITAR-TASS diplomatic correspondent Yuriy Kozlov]

[FBIS Translated Text] Moscow, 1 July — Russia welcomes the decision of Bosnian Serb leader Radovan Karadzic to resign and leave the political arena but is against the further development of events "into coercive operations." Grigoriy Karasin, head of the department for information and press of the Foreign Ministry of the Russian Federation, told an ITAR-TASS correspondent about this today. According to him, any steps that might lead to the "destabilization of the overall atmosphere" in the region is at present extremely dangerous.

The official spokesman of the Foreign Ministry again confirmed the principle stance of Russia in the Bosnian settlement, in accordance with comments of Anthony Lake, assistant to the U.S. President on national security affairs, who said on Sunday that Karadzic "will be immediately arrested" as soon as he is found in the area under the forces for implementing the agreement.

To a greater degree, the Russian diplomat noted, the departure of Karadzic helped the position of the "eight" [G-7 plus Russia] confirmed in Lyon and, also very much important, the position of Serbian President Slobodan Milosevic, actively calling for the resignation of the leader of the Bosnian Serbs.

"The whole world community, including Russia, Grigoriy Karasin continued, is interested in the implementation of the civilian part of the Dayton agreements, resulting in the holding of free elections on 14 September in Bosnia-Herzegovina. Elections should be held in a calm and fair atmosphere with the obligatory participation of refugees in the voting, ensuring normal access for representatives of the mass media and the presence of international observers".

The Foreign Ministry spokesman also drew attention to the Lyon G-8 summit declaration, in which it was possible to include the provision about abolishing in its entirety UN sanctions within ten days of the implementation of the Dayton agreements.

Russia: Lyon G-7 Summit Results Viewed

MM0107130196 Moscow ROSSIYSKAYA GAZETA in Russian 1 Jul 96 p 7

[Report by Nikolay Palkin: "G-7 Meeting in Lyon: We Shall Wait Until Next Time"]

[FBIS Translated Text] Lyon-Paris — The 22d meeting of the "G-7" — the leaders of the world's seven most developed countries — has ended in Lyon. French President Jacques Chirac was in the chair.

On Friday the "seven" were joined by Russia — Russian Prime Minister Viktor Chernomyrdin arrived in Lyon. He was accompanied by Foreign Minister Yevgeniy Primakov.

The tragic events in Saudi Arabia markedly shifted the emphasis in the work of the G-7. The explosion at the U.S. air base in al- Khubar which killed 19 Americans showed very obviously how real the threat of international terrorism remains. Immediately after the even the U.S. President said that this subject would be the main one in the G-7 work. He brought to Lyon 40 suggestions for combating international terrorism. Bill Clinton's position met with the full understanding of the Lyon meeting's other participants.

It is important that the package of measures to combat international terrorism was supported and approved by the other countries. In general the G-7 recommendations can become effective only if they are approved — directly or indirectly — by other members of the international community. The intolerability of the world's division into the G-7 and the rest of the world was well understood by the French president. Not long before the Lyon meeting Jacques Chirac sent his own special representatives to many countries of Europe, Latin America, Africa, and Asia to ensure broad support for the G-7 recommendations. It is characteristic that proposals for expanding the "club of seven" are being made increasingly persistently. Apart from Russia, which is regarded as the number one candidate, it is planned to include China, India, and Brazil among the "chosen ones."

The G-7 participants paid heightened interest to problems generated by the globalization of the economy. Multinational corporations are "opening up" state borders, moving production capacities from one country to another, entering into competition with obviously weaker national companies. The participants in the conference tried to find a balance of interests which, as Jacques Chirac put it, would enable everyone to enjoy the fruit of economic globalization.

But so far there is no success in reconciling the irreconcilable. Experience shows that the opening of borders harms not only underdeveloped countries. In a number of food sectors the industrially developed states have come up against competition from the developing countries.

The problem of confrontation between the industrially developed North, of which the G-7 members are primarily representatives, and the underdeveloped South is acute. In Lyon France in conjunction with Japan advocated rendering free aid to the poorest countries and reducing their state debt. By how much? In the corridors of the Lyon palace of congresses there is talk of how this reduction could be 50 percent. Jacques Chirac has involved prestigious organizations in the search a solution to this problem. He invited the UN secretary general and leaders of the IMF, the World Bank, and the World Trade Organization to Lyon. The results of the debate in Lyon were summed up by an economic declaration.

Viktor Chernomyrdin took part in the discussion of political questions and also of global problems like the safety of nuclear establishments, questions of the reform of UN socioeconomic structures, ecology, and the struggle against crime and terrorism. He also had bilateral talks with the French and U.S. presidents. In a certain sense his participation in the Lyon summit was a successful prologue to the next session of the Chernomyrdin-Gore commission on Russian-U.S. economic and technological cooperation scheduled for mid-July in Moscow.

The Lyon meeting voiced support for the course of market reforms in Russia and also restructured the Russian debt. Moscow is hoping to be admitted to the Paris club of creditors, which would make it possible to recover more effectively the debts due to it. Nonetheless, counter to early reports that in Lyon Russia would take part in the economic part of the summit and G-7 would for the first time become G-8 that did not happen. That is it could have happened as a manifestation of symbolic support for Boris Yeltsin but when he canceled his trip to Lyon, despite the understanding with which the meeting's participants greeted this decision, the idea was not realized. We shall wait until next time.

Russia: Chernomyrdin Seen Going Cap-in-Hand to G-7

MM0107140796 Moscow SOVETSKAYA ROSSIYA in Russian 1 Jul 96 p 3

[Commentary by Vasiliy Safronchuk: "Seven and a Half or Chernomyrdin Goes Cap in Hand in Lyon"]

[FBIS Translated Text] The 22d meeting of the leaders of the seven most developed Western countries — the United States, Germany, Japan, France, Britain, Italy, and Canada — took place in the French city of Lyon 27-29 June. B. Yeltsin took part in four the previous meetings — in Munich, Tokyo, Naples, and Halifax — and V. Chernomyrdin represented Russia in Lyon. The world's press and the Russian press have different explanations for B. Yeltsin's decision not to go to Lyon. Some observers believe that B. Yeltsin could not leave the country on the eve of the presidential election during which he will be opposed by G. Zyuganov, the candidate from the people's patriotic bloc. They believe that this is a sign that B. Yeltsin is unsure of victory. Others tend to attribute the Russian president's nonparticipation in the meeting to ill health. Yet others believe that B. Yeltsin 's decision not to go to Lyon is due to his sense of resentment that Russia has not been admitted to the elite club as a full member this time either, contrary to earlier promises. As before Russia was admitted only to the discussion of international problems and even then not to all of them. So at best the "seven" has become the "seven and a half." Russia was not admitted to the discussion of the most important world economic problems. For example, the G-7 discussed the problem of the developing countries' debt without Russia. However, those countries owe Russia almost $140 billion.

The G-7 adopted some important political documents to which V. Chernomyrdin acceded even though they had been drafted without his participation. One document, adopted on President Clinton's initiative, condemns international terrorism and proposes concrete measures to fight it. The immediate reason for the adoption of the declaration on the fight against terrorism was the explosion at the U.S. military base at Dhahran in Saudi Arabia. Forty concrete proposals to combat terrorism and organized crime drafted by experts have been approved. In the second document the members of the G-7 threaten to reimpose sanctions on the Bosnian Serb Republic and the Federal Republic of Yugoslavia unless Bosnian Serb President Radovan Karadzic immediately surrenders all state powers. This has been done to prepare the way to handing Karadzic over to the international tribunal in The Hague.

While these recommendations were being adopted Karadzic was being re-elected president of the Serbian Democratic Party. The Russian premier's unconditional support for this document is bound to cause bewilderment. It is well known that at all stages of the development of the internecine strife in the former Yugoslavia the Western powers and their brainchild — the tribunal in The Hague — have been prejudiced against the Serbs and shielded Muslim and Croat war criminals. Meanwhile, Izetbegovic and Tudjman, the leaders of the so-called Bosnia-Croatia Federation, bear direct responsibility for their servicemen's war crimes but for some reason are not being prosecuted. Russia should adopt a more even-handed position and not allow the Serb Republic leaders to be sacrificed to the West.

However, V. Chernomyrdin is apparently not greatly troubled by the Serbs' fate. He was more concerned to obtain the G-7's public support for presidential contender B. Yeltsin. His second task was to secure extra economic support from the world's wealthiest countries. The Russian prime minister knows better than anyone that B. Yeltsin has reduced the country to complete bankruptcy having funded his election campaign from the state budget. The budget has not even got the money to pay budget-funded employees. For some reason we have not heard [presidential economic aide] Livshits' cheerful reports about the settlement of the wage arrears for a long time now even though the wage arrears stand at 30 trillion rubles [R]. According to the official statistics, the coefficient of tax received was just 65 percent in the first half of this year while tax receipts were 6.5 percent of GDP as against 11 percent last year. To meet current expenditure the government is cranking up the state debt. However, the revenue from the sale of new issues of short-term state bonds is hardly enough to redeem earlier bond issues. The state has built up a huge financial pyramid beyond even [MMM Investment Company president] Mavrodi's wildest dreams. This multitrillion pyramid could collapse at any time burying beneath it the debris of what is called the Russian market economy.

Russia's "democratic" mass media are saying nothing about the scale of the economic catastrophe threatening Russia. But the Western newspapers are sounding the alarm about this. They note that the IMF, which previously followed keenly Russia's fulfillment of its pledges to ensure financial stabilization, has recently maintained an enigmatic silence. Explaining this silence, MOSCOW TIMES, the mouthpiece of U.S. business in Russia, wrote on 18 June: "The election madness means that the IMF's demands are not a priority for the Russian Government. Essentially, given the importance of a B. Yeltsin victory for the West the IMF clearly cannot resort to the big stick, at least not until the second round of voting is over."

Thus V. Chernomyrdin, like B. Yeltsin before him, had to go cap in hand, asking the G-7 leaders for money. He discussed this problem at bilateral meetings with Clinton, Chirac, and Kohl. The latter [trio], according to the news agency reports, were not very generous. They merely confirmed previously promised aid. However, B. Yeltsin has used up all this aid in advance during the election campaign before round one.

Among the other themes discussed at the summit and reflected in the final political declaration note should be made of the recommendations aimed at increasing the role and effectiveness of the United Nations, at preventing the proliferation of nuclear weapons, and the conclusion of a treaty on the complete banning of nuclear tests. The G-7 leaders urged all the Near East countries to resume the talks as quickly as possible, stressing that the "peace for land" principle must be the basis of an all-embracing settlement.

Russia: 'Ambiguity' on Russian G-7 Role; Lebed Remarks on Sects Hit

MM0107141496 Moscow IZVESTIYA in Russian 2 Jul 96 p 3

[Reports by Yuriy Kovalenko in Lyon, and Konstantin Eggert: "Lebed, Clinton, and G-7. American President Comes to the Defense of Mormons in Russia"]

[FBIS Translated Text] [Kovalenko report] Lyon — At the summit of the highly developed states in Lyon, where our homeland was represented by Chernomyrdin, there was a separate group of specifically Russian problems — from the second round of the presidential elections and President Yeltsin's health, including the economic realities of that, to recent statements by General Lebed which had loud repercussions.

The Paris newspaper JOURNAL DU DIMANCHE claimed that Aleksandr Ivanovich, who is described here as either the "proconsul" or the "heir," had wanted to be invited to Lyon and to come here along with our premier.

President Yeltsin is feeling fine, Bill Clinton informed journalists at a press conference after a personal talk with Viktor Stepanovich [Chernomyrdin].

Mr. Chernomyrdin, who had spoken with Yeltsin on the telephone that morning, the White House incumbent said, assured me that the Russian president feels fine, but has lost his voice. The same thing has happened to me — and that was on the eve of the elections, too, Bill Clinton added.

The U.S. President expressed confidence that if Boris Nikolayevich is reelected on the basis of the second round results he will continue to follow the path of reforms which he has followed hitherto.

Clinton went on to inform Viktor Stepanovich that he took a "very negative" view of the remarks made by General Lebed the other day against the activity of religious sects, including the Mormons, in Russia, when he said that there is no place for them on our soil.

Leaving aside misgivings about particular remarks by General Lebed, with regard to Russia in general the G-7 displayed a growing optimism in assessing the course of democratic and economic reforms. President Chirac, who chaired the summit, declared that Russia "is showing signs of health that is improving significantly."

IMF Managing Director Michel Camdessus, for his part, noted particularly at the Lyon summit that the Russian Government and the Central Bank, despite the acts of generosity they displayed during the election campaign, have kept all their promises to the IMF: "Russia has achieved good indicators."

Despite all the G-7's support for democratic Russia, its place in the club of the world's greatest will be marked by a certain ambiguity. We do not want to invade G-7 by force, Chernomyrdin stated in this context in Lyon, we will do it by stages, in accordance with the course of our reforms. However, Viktor Stepanovich described as "unjust" and "abnormal" the fact that Russia is still not officially assigned to the category of countries with a market economy.

[Eggert report] Aleksandr Lebed's remarks succeeded in provoking a sharp reaction from a group of U.S. senators who have demanded an apology from the secretary of the Russian Security Council to the Mormons — the sixth largest religious faith in the United States. The five senators, two of whom represent the traditionally "Mormon" state of Utah, sent a letter to Secretary of State Warren Christopher.

"Since freedom of religion...is one of the conditions for American aid to Russia, we ask you to review the aid program," the letter says.

The senators were unpleasantly surprised by the fact that Lebed did not mention Judaism as a traditional religion for Russia. Robert Bennett, Republican senator from Utah, called the general's statement "outrageous, especially if you remember that for a long time Russia was one of the sources of aggressive anti-Semitism."

The remarks by State Department spokesman Glyn Davies were more restrained: "Russia has signed a number of international treaties recognizing freedom of conscience and religion. The Russian Government, in our opinion, observes these principles in practice. The fact that we have to discuss this topic causes concern. We will monitor the development of the situation in the human rights sphere."

Russia: Election's Impact on G-7's Future Viewed

MM0107154696 Moscow KRASNAYA ZVEZDA in Russian 29 Jun 96 p 2

[Article by observer Aleksandr Golts under "Week's Topic" rubric: "Our Election Pushed the Meeting in Lyon Into the Background"]

[FBIS Translated Text] It is, of course, a pity that Boris Yeltsin was unable to travel to the meeting of leaders of leading world powers, which ends today in Lyon, France. Above all, because it was at this meeting that our country was meant to have really, and no longer symbolically, joined the club of the planet's most influential states. A great deal has been done in recent years to ensure that Russia makes the transition from consultations in "the sphere concerning it" to full-scale participation in the elaboration of common positions on the most important international problems. But, to turn "the seven" into "the eight" undoubtedly required Yeltsin's personal participation, pressure from him, and his authority. For the time being, instead of a period, it is once again necessary to use an ellipsis....

The president's decision, however, is perfectly valid and obvious: Now, at the very height of the political clash, when Russians are choosing not only the head of state but also the path that the country will take, Yeltsin needs to be in Russia. At the same time the course and results of the Lyon meeting have demonstrated something that was far from obvious, namely the fact that next week Russia's citizens have to choose more than just their road. In a certain sense it is precisely our election that will determine the direction in which all international relations will develop in the immediate future.

Here there is none of the exaggeration that characterized past years, when attempts were made to lend "worldwide-historic significance" to every sneeze in Moscow. The Lyon meeting points very clearly to the true state of affairs. At first glance Russia's problems took a back seat, compared with the main topic discussed there — the fight against terrorism. Indeed, what could be more topical following the numerous tragedies, including the explosion at the U.S. base in Saudi Arabia?

Nevertheless, despite all the importance of this topic and the antiterrorist actions approved in Lyon, you get the impression that it certainly was not the most important to the participants. Because the leaders of the leading world powers are practical people. They understand perfectly well that, if cardinal changes occur in Russia as a result of the election, they — the Western leaders — will have to resolve totally different problems to those facing them today.

Russia already plays an important and positive role in resolving the planet's most important problems. Military-political problems, above all: nuclear disarmament, the resolution of regional conflicts like that in Bosnia, efforts to ensure security and stability in Europe and Asia. The same struggle against terrorism, crime, and illegal trafficking in nuclear materials will not be effective without our country's participation. The April summit in Moscow convincingly demonstrated this. It is hard for us, dissatisfied as we are with Russia's economic and financial situation, even to be aware today that our country is already integrated in the world economy to a far greater degree than before. This degree of integration is evidenced by the fact, for example, that shares in Russian enterprises are now being sold on world exchanges. Incidentally, those shares went up steeply after the first round of the election.

Thus the international stakes in our election are extremely high. The Western leaders' problem is that, even realizing this, they are virtually unable to influence our election results in any way. Moreover, I very much doubt that Boris Yeltsin's successful participation in the Lyon meeting could have brought him any additional votes. Rather, the opposite.

Here we are approaching a question that has been under discussion for many years, namely the question of relations between Russia and its Western partners. It has to be acknowledged that it is only in recent months that this partnership has started to acquire real features. I certainly do not claim that the partnership has become totally cloudless. There are still areas of serious contradiction between us and the West. Take, for example, the question of NATO's eastward expansion. Contrary to Russia's perfectly rational arguments, the Atlanticists are continuing to try to have things their own way. Literally a few days ago Washington declared its support for the desire of Lithuania, Latvia, and Estonia to join NATO. Incidentally, the U.S. President confirmed his position in Lyon too.

At the same time, however, the recent sessions of NATO's leading organs in Berlin and Brussels demonstrated that the special relationship between Russia and the North Atlantic bloc is being realized within the already existing mechanism of consultations. Moreover, it is only now that Western countries are showing a readiness to compromise: Suffice it to recall the considerable increase in flank quotas under the Treaty on Conventional Armed Forces in Europe. Cooperation with the IMF after long months of talks has finally moved onto a practical plane. Our debt to foreign countries has been restructured. Today Moscow itself is already seeking to join the Paris Club of creditor states in order to ensure the receipt of debts from foreign countries.

One trouble is that this constructive dialogue has come about only with the approach of the election in Russia. Previously Western countries preferred to brush aside the perfectly fair Russian demands, getting away, at best, with vague promises. I have no intention of following Zhirinovskiy in blaming the West for all our troubles. But throughout the Russian reforms our partners tarried and haggled when they should have acted quickly and decisively. Because, if the debt restructuring and the rejection of discriminatory restrictions in trade had happened about two years ago, maybe today there would not be such profound skepticism in Russia with regard to cooperation with the West. Maybe economic upturn would have become a reality far earlier. As a consequence, our election would have been less "fateful."

But, be that as it may, precisely this election will have a most important influence on what mankind will be like as it approaches the new century. For the umpteenth time in the 20th century the Russians, whether they like it or not, bear responsibility not only for their own country. Western leaders are left with one option: to make decisions in support of the Russian reforms.

Russia: Future of Russian-U.S. Relations Viewed

MK0107102096 Moscow NEZAVISIMAYA GAZETA (NG-STSENARII Supplement) in Russian 28 Jun 96 p 6

[Article by Aleksey Bogaturov, doctor of political sciences, department chief at the Institute of the United States and Canada of the Russian Academy of Sciences; Viktor Kremenyuk, doctor of history, deputy director of the Institute of the United States and Canada: "The Americans Themselves Will Never Stop. Current Relations and Prospects for Interaction between Russia and the United States"]

[FBIS Translated Text] In the recent period there has been a striking change in the tone of Russian publications about the United States. Two or three years ago it was cordial and friendly. Then, after turning mildly skeptical, in the past six to seven months it has vacillated?-ed?nd hostile. The consciousness of Russians — even liberally minded ones — painfully reacts to the acute psychological discomfort of the present situation: On one hand, Russia is becoming increasingly aware of the level of losses that it has sustained by discarding the "shackles" — and with it also the "armor" — of the former Union; on the other, the United States and the NATO countries — while sparing Russia's self-esteem to the extent possible, but nonetheless firmly and consistently — are destroying the geopolitical foundations which could, at least in theory, allow Russia to hope to acquire the status as the number two power in world politics that belonged to the Soviet Union.

The Meaning of Current Developments

Strictly speaking, there is nothing that could allow us to accuse the Americans of "treachery." Simply, the weaker Russia becomes, the clearer it is that the United States will not help it to attain the international positions that it could have if it was strong.

The way the United States is today marking time over the issue of NATO expansion, seeking not to unduly hurt Russia, is a manifestation of a measure of humanism. That, at the same time, it is not going to abandon the expansion plans, in spite of Russia's objections, is a sign of disregard for its opinion and of adherence to its own, U.S. ("Western"), interests. It is a manifestation of the sense of its own invulnerability and that it does not have even a shadow of fear over Moscow's possible reaction. No matter how offensive this might be to us, here we have a nearly classic example of policy from the position of strength and superiority.

We are being constantly reminded of the asymmetry that has evolved between the United States and Russia. The latter has gained a lot: There are no more crazy arms expenditures or economic bias toward militarization or over concern with security — all of this is past. But talking of losses, the losses by the West and by Russia are incomparable. And therefore also incomparable are the starting positions of Russia and the United States after the Cold War.

The present-day weakened Russia is not perceived in the West as a strong or serious participant in the international game. This is why it is so difficult to visualize an equal partnership of the sides, especially a "strategic" partnership.

The Global Aspect

The global context is the key to understanding the essence of U.S. policy. Our continent — Eurasia — has been, and remains, the focus of U.S. strategic interests. In this respect it is the basic aim of U.S. policy to avert domination in Eurasia by any one power. Proceeding from this aim, the United States entered the war against Nazi Germany and Japan, and then, for five decades, Washington wore out the Soviet Union, subsequently crippling its ability to claim the role of a "Eurasian leader."

Improving the relationship with the Soviet Union has never — not even during the "perestroyka" era — been an end in itself for the United States. The United States consent to "co-leadership" of the world on a parity basis with the USSR was a forced step because peaceful cooperation with Moscow was preferable to the risk of nuclear confrontation. But that picture of the world was far from ideal to the United States: The U.S. perception was far better served by a Eurasian setup whereby there was not one sole leading power on the continent but many medium, relatively stable, and moderately strong ones, capable of balancing each other, but necessarily inferior to the United States in their individual or even collective capabilities.

The formula of the relationship between the United States and the Soviet Union that began to evolve under George Bush and Mikhail Gorbachev ("a new world order" based on "bipolar cooperation") and that, to all appearances, remains in the consciousness of many Russian politicians, should be seen as an exception, which no longer suits Washington at the present stage, when the balance of forces has sharply swung in its favor.

Interest in cooperation with Russia, it should be admitted, is great. Russia is necessary to the United States not least as an element of resistance to China which, according to U.S. experts, will be the United States' main global rival in the 21st century. From this point of view, the efforts that Washington is now taking toward a structural transformation of the European space can be regarded as a major element in the reorganization of interstate relations in the whole of Eurasia, taking into account the apparently equivocal but, on the whole, potentially menacing role of China.

For several centuries China remained weak. Therefore never before in the entire era of new and modern history have U.S. scholars or politicians built models for ensuring stability in Eurasia on the presumption of a "strong China." Such a situation is emerging for the first time. The United States is working intensely to fathom it, analyzing various options for reorganizing its positions on the mainland. U.S. actions in Europe can be interpreted as a component of the policy of "reinforcing the rear." This logic conveniently accounts for Washington's resolve over NATO expansion, the U.S. aspiration to acquire maximum influence in Ukraine and, of course, its line toward consolidating Russia's cooperation with the West.

Actual Interests

The tools of this "structural perestroyka" for Washington are the traditional mechanisms of its impact — primarily NATO and also, with respect to the post-Soviet space, bilateral partnerships with Ukraine, the Baltics, and Azerbaijan.

The aforementioned, of course, only partially clarifies the objective essence of the situation, but in no way does it simplify it. We see the source of basic contradictions between Russia and the United States today in that the colossal perestroyka of the security and stability system in Eurasia as a whole and in Europe in particular, initiated by the U.S. side, is objectively proceeding — to a large extent regardless of the original aspirations by all of its voluntary or involuntary participants — at the expense of Russia's traditional national interests in the form as they are traditionally understood by generations of Russian politicians.

What is seen from the out outside as a reasonable, situationally motivated reorganization of the European space, is seen from within as near deception — at any rate, as an injustice, nullifying Russia's role in routing fascism and liberating Europe, and in stabilizing the situation in Europe in the early 90's. Herein lies the most acute political-psychological problem of the present moment, which is ignorantly and unscrupulously disregarded by the greater part of Western and a large number of domestic analysts.

Today, from the point of view of the near majority of Russian people, the preservation of spheres of influence along the perimeter of the Federation's borders is seen primarily through the "defensive" prism — as a geopolitical guarantee against a possible further disintegration of the country. The shocks the Russian consciousness has been subjected to in the past five years over the loss of what has for centuries been considered the territory of historical Russia have been too heavy for this reaction to be dismissed as groundless.

Indeed, the new organization of the European space that is being engineered by the West is, in essence, built on the idea of supporting, in this part of the world, new, relatively small and weak national states through their more or less close rapprochement with NATO, the EC, and so forth. This logic of "low rise structure" per se, however, is based on the "presumption" of the disintegration of the historically evolved "high-rise," i.e., multiethnic, states; Russia being one of them. The implementation of such a project as the "new European architecture" objectively induces centrifugal trends in the Russian Federation, undermines the very logic of the organization of the Russian state, and in this sense contravenes Russia's state interests.

The point is not whether the North Atlantic alliance is aimed against Russia politically and juridically, but that structurally and geopolitically, its expansion carries the logic of ethnic-state fragmentation according to the Western model — which is highly destructive to Russia — that has already manifested itself in Yugoslavia, Czechoslovakia, and the former Soviet Union. A comic — and at the same time tragic — manifestation of this logic are the Muslim-Croatian and/or Serb formations in Bosnia, whose statehood has been hopelessly destroyed.

Meanwhile, far from going back to the murky shell of isolationism, Russia nonetheless does not seem ready for cooperation with the West "at any price." Partnership with the United States and other advanced democracies is desirable and acceptable only in the form and to the extent to which it conforms to the tasks of consolidating the integrity of the Russian Federation, upholding its strategic and economic interests in the post-Soviet space, and ensuring it a worthy role in resolving world problems. This should be the fundamental position of any Russian government that will come to power after June.

Meanwhile it would be hardly appropriate to contemplate a return to confrontation with the United States: This, in fact, is an option that should be avoided. Yet, this certainly does not involve a revision of the tactics of interaction with the United States because after several years of expectations — hopeless and rash, Kozyrev-style — that the West will, on its own initiative, "generously" and "prudently" limit its claims on Moscow, it becomes clear that the West will itself never stop. The time has come for us to try to set the limit on it ourselves.

Prerequisites of Cooperation

There are still many similarities in the interests of Russia and the United States. Both sides are not interested in increasing their military spending and they are out to guarantee economic well-being for their citizens. They do not wish a reduction in the level of global strategic stability. Moscow and Washington are one in their negative attitude to the proliferation of nuclear weapons. Both countries' cooperation in the exploration of outer space is expanding. The United States upholds the maintaining of market reforms in Russia and builds up the practice of its participation in the work of such a crucial international forum as the G-7.

Gaining importance also is the cooperation of both countries in combating terrorism and drug smuggling, environmental protection, nuclear safety (in the broad sense), settling the situation in the Balkans, the Near and Middle East and on the Korean Peninsula. It would be difficult for the United States to succeed on its own, especially because few of America's current allies — with the exception, perhaps, of Germany — are interested in contributing more toward solving these problems. Having been dependent on the United States for many years they have grown accustomed to rely on the "elder brother" and they resist attempts to involve them in costly foreign policy ventures.

Russia, in this respect, is the only country with the political will, interest and potential resources to shoulder part of the burden in resolving the above problems. Furthermore, today Russia has in effect already taken over the function of containing Islamic extremism — in Chechnya and Tajikistan. There are grounds to believe that it will continue to oppose it and protect the country's integrity and its own legitimate interests. Russia contributes its share to the war on terrorism and drug smuggling, which threaten its stability. It is impossible to solve questions of nuclear security without Russia, a fact underlined by members the G-7 summit held in Moscow. Assuming that Russia is going to overcome its economic difficulties and emerge on the plateau of stable growth over the next decade, its international role will, evidently, become further enhanced.

Such a scenario is not indisputable, but it is rather probable. Hence, there may be an intriguing ring to the question: Should Russia indeed once again become influential and strong, will it happen despite the United States or will it happen through understanding with it? Do the Americans ask themselves this question? Do they ponder as to whether Russia may appear before the world on the other side of the "black box" of the current Russian reform as grateful to or hurt by the United States?

Characteristically inclined to discern short term interests the Americans often concede to other peoples (the Japanese, for example) the consideration of long-term gains. This is perhaps why the American side, as it tries today to take advantage of Russia's weakness, wants to deliberately or unwittingly confront it with the fact; a new structure of Eurasian stability is being developed and put into place taking account of the Russian factor, but without Russia's participation.

Russian intellectuals and politicians are of course supposed to help the United States see the long-range prospect promising benefits to it and to Russia, of course. But we are not certain that we can prove anything to the West and the United States by attempts at persuasion.

The Russian foreign policy establishment could long ago have developed a firmer and nationally oriented course and — for the first time in the last five years — tried to secure support for it from the public and the Duma. One would have thought that a need for a consensus-based foreign policy has become urgent — still bogged down in squabbling and envy, both the leftists and rightists are vaguely coming to realize that the country's foreign policy interests cannot be the object of interminable fighting between parties.

The appointment of Yevgeniy Primakov — who is neither inclined towards toeing the line nor romanticism, and who is knowledgeable and experienced at the same time — as foreign minister is the first healthy sign after Kozyrev's stagnation period. The tone guessed by Primakov and offered to the American side seems to be rather precise — businesslike, calm, moderately constructive and absolutely free of the "apprenticeship syndrome." There are no signs of an anti-West policy, it should be noted. Instead, there is a desire to overcome the hateful inertia of thoughtlessly following in the United States' wake.

How to Structure Relations

It is hard for today's Russia to be independent in the same sense and to the same extent as the Soviet Union was independent. The new minister began by finding resources for boosting the potential of independence of Russian foreign policy in such a manner as this desired independence should not harm Russia itself. Hence his low-profile but conspicuous trips to the Middle East, Latin America and the Balkans. Boris Yeltsin's successful China visit can also be regarded as a plum of "Primakov" diplomacy.

This summit attracted attention and caused numerous discussions in and outside Russia. Can Beijing be an alternative to Washington for Moscow?

The question of whether the PRC is more of a potential threat to Russia than a partner in a gamble against the United States merits discussion in a separate article. In this one we can only briefly state the following: The greater Russia's irritation becomes at the "geopolitical pluralism" of the United States — as conceived by the imperishable Zbigniew Brzezinski and actually added to the arsenal of Bill Clinton's diplomacy (while it has been formally turned down by it) — the more rosy the prospects of rapprochement with Beijing appears to the Russian left-wing politicians — a rapprochement the men in the PRC are trying to use to demonstrate to the West that they have something solid to fall back on in the event that Sino-American relations sour. At any rate, the possibility that Russia would deliberately distance itself from the United States and prefer to expand military-political relations and other contacts with the PRC (the "Chinese card" concept) appears to be a possible Russian foreign policy scenario in the next few years.

Should Moscow really decide to indirectly play on Sino-American differences in the hope of seeing them widen, it would at best succeed by trying to scare the United States with the phantom of a Russia-China alliance. At the same time, this would sharply increase the chances that Russia would once again become restricted from Western technology and capital — whose inflow today has stopped mainly owing to the absence in Russia of a favorable investment climate rather than because of "Westernists."

Another scenario — hard to carry out unless the United States revises its policy toward Russia — consists in a "balanced partnership" model.

The American side could offer Moscow its own vision of Russia's long-term political and strategic functions on the international arena, as well as options of Russian-American interaction. For its part, the Russian side could clearly specify the boundaries beyond which it would not go in closing the gap with the United States, and for which it would have to oppose it in one way or another.

The main thing at this stage is to realize that partnership with the United States cannot materialize without sustained and persistent effort. Unless Moscow has a clear partnership program, a firm idea of what is acceptable and what is unacceptable to it in its relationship with the United States, it will always have to react to American initiatives.

The United States will never call a halt to its demands on Russia. Also, it continues to widen the range of its "suggestions" in its relationship with Moscow because Russia has not outlined to its American partners — even if confidentially and without fits of hysteria — the sensible geographical and substantive [sushchtnostnyye] interests that it would uphold, even if it has to imperil the level of cooperation attained in the post-confrontation years. One would have thought that if one is to choose between the interests of Russia's state integrity and security in the CIS zone, on the one hand, and the interests of partnership with the United States, on the other, compromise can only be in order if the former interests prevail.

The building of partnership relations is not a naive and touching "romping together" to the familiar tune about a tiny brook, friendship and a smile [allusion to a children's song: a river starts from a tiny brook, and friendship from a smile], but it is rather a hard, tiring — but generally honest — haggling for each and every concession, each and every compromise; that is, insofar as they correspond to what we see as Russia's interests. And it is also a resolute rejection of any deal that contravenes or — which is even worse — threatens our country's interests.

Russia: Report on U.S. Interests Aim To Run Russia's Finances

MM0107152996 Moscow SOVETSKAYA ROSSIYA in Russian 1 Jul 96 p 3

[Unattributed report: "On U.S. Plans To Influence the Russian Economy"]

[FBIS Translated Text] A source at the Security Service [as published] has acquainted us with documents prepared by Federal Security Service [FSB] analysts on the Americans' plans to take complete control of our country's financial and stock markets.

According to information from representatives of research foundations close to the White House Administration, U.S. financial groupings are hatching plans to take control of Russia's financial and stock markets.

According to Western experts' information, for example, the Russian Federation's 1996 budget resources are 75 percent used up even though it is only June. Consequently to prevent a rise in inflation the Russian Government will be forced to cut budget expenditure sharply. The methods include the following:

wages for budget-funded organizations will not be increased before the end of the year;
the funding of capital construction and government programs will cease completely;
to increase budget receipts and encourage exports the ruble [R] will be devalued to R6,500 to $1 (instead of R6,100 as originally planned);
the state securities market and above all the short-term state bond market will be squeezed and the burden of state debts will be shifted to global repository receipts and municipal treasury bonds.

Western experts are reputed to have information that the Russian Government, while planning to implement the aforementioned unpopular economic measures, is nevertheless hoping to "survive" the most difficult period until March-April 1997 by counting on a rapid growth of foreign investments so long as political stability in society and low inflation persist.

However, U.S. research centers are predicting a sharp worsening of the sociopolitical situation in Russia during this period and are advising U.S. investors to delay investment projects until mid-1997.

Meanwhile, there are a number of major investment centers in the United States elaborating programs for Russia which they intend to implement in the near future regardless of the presidential election result and the subsequent sociopolitical situation. Such structures include the financial groups CS First Boston, Merrill Lynch, Solomon Brothers, Lehman Brothers, Citicorp, and Soros International.

The aims of the aforementioned structures are:

to take advantage of the Russian economy's weakness and take control of the Russian Federation banking system, particularly those banks which are oriented toward the development of national capital;
to create channels enabling foreign investors to exercise direct regulation of the activity of Russia's state financial institutions;
to infiltrate the leading Russian banks and take control of the major financial-industrial groups, above all Interros-Mikrodin and Rosprom;
to defeat other U.S. transnational corporations in the fight for Russia's fuel-energy and raw-material resources.

To resolve these tasks it is planned to:

1. Conclude a treaty with the Russian Government on the reorientation of the state securities market from short-term state bonds to global repository receipts with the right to issue these securities in international markets. To allocate Russia $5 million for this (as

payment for a block of global repository receipts at face value) and grant a stabilization loan of $2 billion to the Russian Federation Central Bank for the purchase of short-term state bonds.

The intention is that the measures adopted are to lead to a sharp reduction in the state debt on short-term state bonds; to the Russian Government's obtaining a one-off payment of $4.5 billion; to bankruptcy for a number of major commercial banks in Russia, which will then be taken under the control of U.S. financial groupings, and to an opportunity to use the regulation of the global repository receipts market to directly influence the Russian Government's current economic policy instead of exerting indirect influence via the IMF.

2. Via the State Commission for Securities and Stock Markets, which is under the control of lobbyists from the aforementioned U.S. structures, the United States is to pursue a protectionist policy with regard to those Russian financial and industrial groups of which it is planning to take control and to isolate nationally-oriented Russian commercial structures from the international securities market.

In particular it is planned to recognize the following as Russian depositories capable of working with U.S. securities: Oneksimbank, the Stolichnyy Savings Bank, Menatep, Mostbank, and Rossiyskiy Kredit. Promstroybank, Mosbiznesbank, Inkombank, Toko-bank, and Kredo-bank are to be denied access to the U.S. stock market.

In addition, the Lukoil oil company, the Sibneft Joint-Stock Company, the Gazprom Russian Joint-Stock Company, the Sidanko oil company, and the Norilskiy Nikel Russian Joint-Stock Company are to be allowed to place depository receipts in the U.S. market. The following structures are to be prevented from placing depository receipts: Rostelekom, Rosneft, Rostoplivo, and some others.

By the implementation of these measures U.S. financial groups plan to seize the initiative from the U.S. transnational corporations Amoco, Chevron, Shell [as published], and others currently working in Russia on the basis of shared participation via tenders according to the recently adopted Russian Federation law "On Sharing Output."

In the near future some Russian mass media which are under the influence of U.S. financial groups will launch a campaign to discredit this law and declare it a "product of the Communist State Duma's activity."

Russia: Energy Minister on Nuclear Accord With Iran

*LD0107170196 Tehran IRAN NEWS in English
27 Jun 96 pp 1, 13*

[Unattributed report: "Mikhaylov Expands on U.S. Opposition to Russian Pact"]

[FBIS Transcribed Text] The following are excerpts of a translated interview with Viktor Mikhaylov, Russian minister of energy, with ABRAR's reporter in Moscow:

[Q] The Irano-Russian agreement for peaceful use of atomic energy has left a negative impact in some Western circles. Some countries in the West maintain that the agreement has military aims in view. What is the position of your country?

[A] In 1992 we signed two agreements with Iran. One agreement called for the completion of the Bushehr Plant which has the capacity to hold two to four atomic reactors. The other agreement was an intergovernmental accord which called for peaceful use of atomic energy. In 1978 [as published], another technical/scientific agreement was signed between Gorbachev and the Iranian prime minister of the time with the same objectives in view. These three agreements prove that Iran is an exemplary member of International Atomic Energy Agency. Iran has given full liberty to that agency to inspect and control its plants and has fully discharged her obligations in that regard. Meanwhile, I must say that this is not the first agreement to exploit atomic energy in Iran. During the reign of the Shah before the revolution, Iran had signed agreements with the United States, Germany and France to build 23 reactors to produce electricity and the work was started at Bushehr. Besides that, the United States had built a research atomic reactor in Iran which is still operating for medical purposes. Therefore, the Irano-Russian agreement is not unprecedented. For the last 150 years, Iran and Russia had no friendly economic relations and it is just in recent years that relations between the two countries have been upgraded and now are expanding. My reply to those who oppose this agreement is this: "Cooperation between Iran and Russia will continue and will be lasting, and Russia will abide by all its commitments stipulated in her agreement with Iran and I am sure we will make good progress in this peaceful end."

Unfortunately it is difficult to answer your question because I have to explain things which do not exist and are in fact the results of musing by some Western pessimistic observers. I reiterate and emphasize here that the cooperation between the two nations is toward peaceful ends and that the agreements have no confidential addendum. These agreements are ready for inspection by those who are interested. Meanwhile, all the required equipment has already been sent to Iran for completion of the Bushehr Plant, and there are only some small problems with regard to bank guarantee, etc., which can be easily solved.

[Q] I think the West has political as well as economic perspectives in mind for opposing this agreement. Meanwhile, such cooperation has left a great impact in the region and the West is trying to destroy the close relations between Iran and Russia. What is your opinion about this?

[A] There have been many reasons to oppose this agreement. One of the reasons is exploitation of oil and gas reserves which will survive for another 50 years. The West looks at these reserves with covetous eyes whereas Russia, which has ample oil and gas, does not need such material.

[Q] We must remember that there are many people in Russia who oppose this agreement.

[A] Yes, there are a lot of them here who are against these agreements. Some of them come to us and say: "Why are you giving nuclear plants to Iran, whose technology is below ours?!" I told them, why, in 1970 when the West wanted to build 23 atomic reactors in Iran, did you not oppose these agreements. I think no country can hinder a nation progressing in scientific and technical fields.

[Q] My next question is about the Foundation for Research of Atomic Energy for peaceful purposes which the Ministry of Atomic Energy of Russia has proposed, and Russia, China, India and Iran are to form. What progress has been made in this regard and what is the objective of the foundation?

[A] The fact is that I'm not working on this project due to apparent money shortage. Valikhov Academy had proposed that a Russo-Asian atomic reactor should be built, but since a lot of money is needed, the project has not started yet. There is another project called "Ikar" in mind which is supposed to be launched by the United States, Russia, the European Union and Japan which also faces money shortages. But small plants, such as thermo-atomic reactors for research, can be installed in Iran and other countries.

[Q] What is the safety ratio of the Bushehr Atomic Plant which is being completed by Russian experts?

[A] According to the Union of World Atomic Power Plants, Russian power plants have the best reactors and are the safest. This subject was raised in the recent G-7 conference and President Chirac said that during the last 4 years, Russia has taken big steps for the safety of its plants and the possibility of any incident of leakage in these plants is nil. We are exercising the same care and precision in the Bushehr Plant to raise its safety ratio to the highest international level. Let those countries who are worried about this plant send in inspectors to check and closely see the plant. I assure the Iranian people that there is no safety snag to worry them. Meanwhile, you should be glad to possess an alternate energy source in your country.

[Q] Are you satisfied with the progress of the Bushehr Power Plant?

[A] In general, I am satisfied with the progress.

[Q] Will Iranian technicians run the Bushehr Plant after completion?

[A] During the time that the plant is being completed, the Iranian technicians will receive full training to run the plant. Of course, for the first several years, Russian technicians may help Iran as advisers and observers. But I assure you that you have highly skilled experts, such as engineer Amrollahi, the head of Iran Atomic Organization, who is a learned physics scientist.

[Q] Will Russia continue its cooperation with Iran in atomic fields after completion of the Bushehr Plant?

[A] Presently, the two atomic reactors at Bushehr can produce 1,000 megawatts of energy. After that, we will build two other reactors, each with 440 megawatt capacity. Maybe in future we will work with each other in this field.

[Q] Does Russia have atomic cooperative agreements with other countries as well? If so, why is the United States so sensitive about the Irano-Russian pact?

[A] Your country is following Russian ideology which does not accept Western values. This is why they are against you, and not for other reasons. We have installed atomic plants in Eastern Europe and Finland. The Laviza Plant in Finland is one of the largest and best plants in the world. Presently, we are working with India and China, and recently Indonesia has asked us to build an atomic energy plant in their country. We are also helping Cuba to complete its atomic energy plant.

[Q] You were supposed to travel to Tehran. Why was your journey delayed?

[A] First, I had to attend the G-7 conference in Moscow in April, and second, I had to accompany President Yeltsin to China. Right now, we are busy with presidential elections, but I will invariably travel to Tehran in August or September this year, or earlier.

Russia: Duma's Lukin, Iran's Larijani Discuss Bilateral Cooperation

LD0207084696 Tehran Voice of the Islamic Republic of Iran First Program Network in Persian 0330 GMT 2 Jul 96

[FBIS Translated Text] At a meeting in Moscow yesterday with Mr. Mohammad Javad Larijani, deputy head of the Majles Foreign Policy Committee, Vladimir Lukin, head of the Russian Duma's International Affairs Committee, said: Russia's policy toward the Islamic Republic of Iran benefits from the required stability and will not be disturbed by domestic developments.

According to the Central News Unit, he added: Increasing regional bilateral cooperation in Central Asia, the Caucasus, the Caspian Sea, the Persian Gulf, and the Middle East is of great importance for the provision of peace and stability, and for the prevention of interference by third countries in the region. Joint efforts by the two countries regarding the resolution of the crisis in Tajikistan is a good example and basis for this kind of cooperation.

At the meeting, Mr. Larijani referred to the two countries' great potential for increasing bilateral relations and stressed: It is possible to solve the region's problems through serious and active cooperation between Iran and Russia. He added: Foreign interference will make problems even more complicated.

Political Issues

Russia: Zyuganov, Filatov Cited on Yeltsin's Health

LD0107141596 Moscow Radiostantsiya Ekho Moskvy in Russian 1037 GMT 1 Jul 96

[FBIS Translated Text] Let us return to the subject of the president's health. Here in the studio is our observer Anastasiya Mestechkina. Good day.

[Mestechkina] Good day. Both the president's supporters and his opponents have spoken about his health today. The most prominent of the latter, Gennadiy Zyuganov, said he wanted to see an official medical report on Boris Yeltsin's health:

[Begin Zyuganov recording] At a very crucial time, with the election almost on us, the president has not been seen for four days. Nobody knows what is going on. That is the point. Today I read... [Zyuganov pauses] A number of foreign newspapers are writing about this, analyzing the entire situation. I agree that the situation is quite intolerable. In these circumstances the government has a duty to publish a report on Mr. Yeltsin's health and to reassure public opinion. The public must be told what the real state of affairs is. [end recording]

[Mestechkina] It is no coincidence that there are fears about the president's health. Boris Yeltsin is in his 66th year. He has suffered at least five heart attacks during the years he has worked in Moscow. Last year alone he had two, in July and October. The president spent several months in a hospital bed last year.

But Sergey Filatov, leader of the public movement of support for Boris Yeltsin, even expressed some surprise when journalists kept on asking him about the health of the head of state and candidate for a new presidential term:

[Begin Filatov recording] I do not think you should ask these questions so abruptly. As far as I know, Boris Nikolayevich has been at work on operational issues since morning. We have had exchanges on this. Today he is due to meet with Chernomyrdin. If all of this goes ahead as planned, you will see it all on TV. So, I would not dramatize anything here.

The entire country has known for three days that his voice is in a bad way. Everybody has been talking about it, including those who have met him. I hope that — when he spoke yesterday, [Aleksandr] Lebed referred to the president — I hope (?he saw him). I myself saw him when we had our last meeting, probably a week ago. We have standing procedures for our meetings. When I meet him, I will definitely ask him but I have to see him before I can tell you what he looks like. Let us wait and see what today brings. [end recording]

Half an hour ago Russian TV showed Boris Yeltsin's election address and also an extract from Boris Yeltsin's meeting with Viktor Chernomyrdin during which the election was also discussed.

[Begin Yeltsin recording] Viktor Stepanovich, the elections are the most important thing. The decisive moment is now approaching for all of us. I am in no doubt, of course, that Russia will be a prosperous, happy country. [end recording]

The question of having an official medical report on his health remains open at present. But the communists will have to get a move on. Although tomorrow is a working day, the following day will be a holiday. Then it will be impossible to do anything, under the rules set by (?the Central Electoral Commission).

[Announcer] Such are the problems now taxing representatives of the presidential candidates. Today, I remind you, is the last day when campaigning is allowed. On this very day the subject of the president's illness has surfaced. I remind you that the president currently has laryngitis.

Russia: Premier Holds News Conference on Lyon Summit, Yeltsin's Health

LD0107180596 Moscow NTV in Russian 1500 GMT 1 Jul 96

[Report over video on news conference given by Russian Prime Minister Viktor Chernomyrdin in Moscow on 1 July, including recorded segments of Chernomyrdin remarks — from the "Segodnya" newscast]

[FBIS Translated Excerpt] [Correspondent] Boris Yeltsin met in his residence today Prime Minister Viktor Chernomyrdin. The head of cabinet told the president about his trip to Lyon. [passage omitted] The implementation of social programs was also discussed at the meeting.

Chernomyrdin also spoke about the results of the Lyon summit at a news conference in the President Hotel today in front of a whole row of television cameras.

[Chernomyrdin] I reported how things had gone and what the results were. I can say outright I am satisfied with these results and I think that Boris Nikolayevich is satisfied with them, too. Of course, we would have liked more. We would like there to be only G-8 after Lyon. But we don't believe in flogging horses.

[Correspondent] The journalists asked about the president's health, how he looked, if rumors of a heart attack were well- founded.

[Chernomyrdin] Boris Nikolayevich — naturally, you know that he was a bit under the weather. He's got a cold — his voice. I did not notice any attacks. As soon as the president clasped my hand all my doubts dispersed at once.

[Correspondent] The state of the country's economy, the results of the first six months, were also discussed at the news conference. [passage omitted]

The pace of today's conference was set by the presidential elections to be held on 3 July. Chernomyrdin unequivocally linked all projects, all reforms with a Yeltsin victory. The head of the cabinet even said of the Lyon summit that it would have been better if it had been held after the elections.

Speaking of the cabinet headed by him, Chernomyrdin said that he does not rule out the possibility of working with the opposition, including with communists.

[Chernomyrdin] If you know what should not be done, then find out what should be done — probably better than the government. Then come in, sit down beside us and we will work together!

[Correspondent] In reply to a question about Aman Tuleyev and his place in the new cabinet, Viktor Chernomyrdin briefly replied: I don't know. Incidentally, he said there should be more detailed talk about renewing the cabinet after 3 July. [Video shows Yeltsin-Chernomyrdin meeting, Chernomyrdin news conference]

Russia: Yeltsin Orders Support for Baltic Maritime Commercial Fleet

LD0107171096 Moscow Radio Rossii Network in Russian 1600 GMT 1 Jul 96

[FBIS Translated Text] Boris Yeltsin today signed and edict on state support for Russia's maritime commercial fleet in the Baltic Sea. The presidential press service said the president regarded it as necessary to give assistance to the Baltic Sea Shipping joint-stock company in the national interest.

The government has been instructed to take measures to stabilize the work of the Baltic commercial fleet and to bring to book those individuals who are guilty of violating privatization laws.

Russia: Yeltsin Signs Decrees on Developing Stock Market

LD0207104696 Moscow INTERFAX in English 0946 GMT 2 Jul 96

[FBIS Transcribed Text] MOSCOW, July 2 (Interfax) — Russian President Boris Yeltsin Monday signed decrees on the concept of the development of the stock market in Russia and on a Federal Securities Commission, the president's economic adviser Aleksandr Livshits told reporters Tuesday.

Speaking about the role of the Federal Securities Commission, Livshits sad that it is the successor of the Russian government's Federal Securities and Stock Market Commission, which has ceased to exist.

Dmitriy Vassilyev, the head of the former commission, has been appointed chairman of the newly-established commission.

The Russian government has been instructed to bring the existing regulations and laws in line with the presidential decree within four weeks.

The concept for the development of the stock market, documented in a presidential decree, is a 30-page book containing an analysis of the stock market, the state policies and strategy on the stock market and measures to create laws regulating the stock market.

Russia: Lebed Denies Possible Presidency Before 2000

LD0207101696 Moscow INTERFAX in English 0946 GMT 2 Jul 96

[FBIS Transcribed Text] MOSCOW, July 2 (Interfax) — Secretary of the Russian Security Council, presidential national security aide Aleksandr Lebed has refuted a report of the German magazine SPIEGEL about his possible presidency before 2000.

"It was a joke and the Germans did not understand Russian humor," Lebed told a news conference in Moscow Tuesday.

Speaking of religions on Russian territory, Lebed said "Orthodoxy, Catholicism, Judaism, Islam and Buddhism have always been peaceful neighbors in Russia, we have not had any religious wars."

"Such sects as the White Brothers and Aum Shinrikyo are alien to Russians, they bring tension in society, they are anti-human and there is no place for them on Russian soil," stressed Lebed.

Russia: Lebed Tells News Conference Why He Needs 'Extra Powers'

LD0207113496 Moscow Russian Television Network in Russian 1000 GMT 2 Jul 96

[Report from the "Vesti" newscast, including recorded remarks by Security Council Secretary General Aleksandr Lebed at Moscow news conference on 2 July]

[FBIS Translated Text] [Announcer Svetlana Sorokina] Our correspondent returned from a news conference given by Security Council secretary [Aleksandr] Lebed in great journalistic agitation, and immediately quoted Aleksandr Ivanovich, who had again enriched the language with another army aphorism: "He who shoots first has the last laugh."

[Lebed] I would like to say straight away that I am no monster, I am a human being.

[Correspondent S. Zenin] Aleksandr Lebed, secretary of the Russian Security Council, today tried to deny suggestions to the effect that he is seeking excessive extra powers for himself.

[Lebed] I do not need power for the sake of power.

[Zenin] At his briefing in Moscow today, Lebed spoke about top priorities in the work of the Security Council, including matters connected with army reform. In particular, Lebed revealed that he had submitted to the president a proposal to stop maintaining reduced-strength units manned to 25-30 percent of their full strength, and to turn those units into storage bases. Aleksandr Lebed deems it necessary to render assistance to the Russian military industrial complex and to restore Russia's position on the world arms markets.

Among the key tasks to be tackled as a matter of priority Lebed named fighting crime and corruption in the country. Another problem is migration from the countries of the far abroad. In the near future Russia is to introduce a tighter passport and visa regulations. Lebed stressed that the introduction of new measures will not mean a new Iron Curtain. He also suggested that a system should be drawn up to classify foreign states in terms of their friendliness with regard to Russia.

[Lebed] I have no intention of standing throwing my weight about or taking some extra power. I intend to solve the country's problems in terms of its security in all its manifestations. This is why new documents have been prepared, new principles and approaches have been formulated. I expect that in the near future the president will endorse the entire package of documents by signing necessary decrees, and that we will set about our task.

Ours is a large and diverse country. Everyone will have enough to do. There are many problems, and they will have to be tackled for the sake of the future. This is why I need extra powers.

[Zenin] Answering journalists' questions, Aleksandr Lebed said he did not regard himself as a democrat in the full sense of the word. I am a semi-democrat [he said].

The Security Council secretary compared Russian presidency to rule from the throne and said parliamentary democracy was not for our country. [video shows news conference]

Russia: Lebed To Tighten Visa Rules, Reduce Unnecessary Imports

LD0207084596 Moscow ITAR-TASS World Service in Russian 0753 GMT 2 Jul 96

[By ITAR-TASS correspondents Artem Protasenko and Andrey Surzhanskiy]

[FBIS Translated Text] Moscow, 2 Jul (ITAR-TASS) — Aleksandr Lebed, secretary of the Russian Security Council, announced at a meeting with journalists today that "tighter visa and passport regulations will shortly be introduced in Russia for residents of the near and far abroad."

This does not mean the creation of a new "iron curtain", Aleksandr Lebed stressed. In his words, "the country must protect itself: too much is being taken out of Russia that should not be taken out, and vice versa, things are being brought in that are not remotely necessary".

"If we get this machinery going in a civilized way, we shall not hurt anyone," the secretary of the Security Council said. In his opinion, it is also necessary to introduce a "mechanism for qualifying states as to their friendliness to Russia".

Russia: Zyuganov Proposes UN Discuss Ethnic Conflicts, Crime

LD0107155896 Moscow INTERFAX in English 1526 GMT 1 Jul 96

[FBIS Transcribed Text] MOSCOW, July 1 (Interfax) — Leader of the Communist Party of Russia Gennadiy Zyuganov is concerned about escalating ethnic conflicts and international crime, which is why he proposes that the United Nations dedicate its next session to these issues.

Meeting with diplomats and journalists accredited in Moscow Monday, Zyuganov also suggested that a summit of U.N. Security Council member countries be held on these issues in Moscow in October-November, inviting other countries' leaders as well.

He told the diplomats and foreign journalists that he still regards a coalition government as the way out of the present situation in Russia. "We hoped for a serious discussion of this issue, but I can see that Boris Yeltsin is not ready for such a discussion," said Zyuganov.

According to him, his point of view on crime in Russia is similar to that of Russian Security Council secretary Aleksandr Lebed.

Russia: Yavlinskiy Hints at Coalition Between Yeltsin, Zyuganov

BR0207095096 Hilversum Nederland-3 Television Network in Dutch 2034 GMT 1 Jul 96

[Report by Peter d'Hamecourt incorporating interview with Grigoriy Yavlinskiy, leader of the Russian Yabloko movement, in Moscow; date not given; Yavlinskiy and d'Hamecourt speak in English; from the "Nova" program — recorded]

[FBIS Translated Text] [Screen shows text reading "The First Round"] [Yavlinskiy] Many voters who were ready to support me went to Yeltsin because of the type of campaign, which was not a referendum of Yeltsin's policy, but more a campaign about how bad is Zyuganov. So people simply became afraid about that and said to themselves that we will vote for liberal values in 2000 and now we have to stop Zyuganov.

[Screen shows text reading "Yeltsin or the Flood?"] [Yavlinskiy] I am not saying that Yeltsin must be supported now, especially because I don't believe in his future. I don't believe in what he is going to do after the elections. That's why I am saying to my voters: You have to come, you must vote, you can't support Zyuganov, that's impossible, and you have to remember: If you vote against both, you would indirectly support Zyuganov. So it's a really difficult situation between two evils. And this is your choice; you will have to take your decision. I can't say that I can support Yeltsin unconditionally.

[Screen shows text reading "Zyuganov, the Evil Genius"] Yeltsin was giving all the time the feeling that if Zyuganov would come, civil war would be in the country. And the people would be thinking: Oh God, who would start the war? Maybe Zyuganov would start the war. Or maybe Yeltsin would start the war. It would be better not to do it. Better to leave it like yesterday to avoid such things. Maybe these are the only elections in the world where the official propaganda is saying: If our opponent would win, the war would start. In these conditions many people are ready to vote. But at the same time, please don't forget: Fifty million people vote against Yeltsin.

[Screen shows text reading "Economic Crisis"] [Yavlinskiy] We have three crises going on simultaneously: the budget crisis; the budget is absolutely empty; Yeltsin used the budget for the elections tremendously. Secondly: the investment crisis; there are no investments at all; about zero at the moment. And the privatization crisis: The voucher privatization through Chubays shows that it's absolutely ineffective; it is not working.

[d'Hamecourt] So, these elections won't solve anything.

[Yavlinskiy] These elections... [changes thought] We'll see what will be the outcome of these elections. Maybe these elections will give the lesson to Yeltsin, if he would win, that he has to change the policy again; that he has to find new people.

[Screen shows text reading "Coalition Government?"] [Yavlinskiy] A coalition is possible because the society is split too strongly. And if Yeltsin wants to have a constructive and productive government, he has to find different forces which have a public support to join the government. But that would be the first example of a coalition in the history of Russia.

[d'Hamecourt] Even inviting Zyuganov?

[Yavlinskiy] About 25 million people voted for communists. This is a very serious signal. So, Yeltsin, if he would be elected, has to take this into consideration.

[Screen shows text reading "If Yeltsin Wins..."] [Yavlinskiy] For some period of time Yeltsin would be a president. What kind of policy he is going to implement, that is the drama of Russian elections. That if Yeltsin would win, it is very hard to say what would happen. And if Zyuganov would win, it is absolutely impossible to say what would happen. That is the problem of our elections. That is the main problem with which I was fighting half a year taking part in the presidential elections. I would say, this is unacceptable: At the end of the 20th century to vote for the man, whether it is Yeltsin or Zyuganov, who is not saying to you what he is going to do. Or he is saying it in such terms that nobody can understand it.

Russia: FSB Seizes Explosives Destined for Moscow, Makes Arrests

LD0207101596 Moscow INTERFAX in English 0949 GMT 2 Jul 96

[FBIS Transcribed Text] MOSCOW, July 2 (Interfax) — Federal Security Service (FSB) men on Monday arrested suppliers of explosive devices to buyers in Moscow, acting chief of the FSB Public Relations Center Aleksandr Zdanovich has told Interfax.

According to him, eight explosives confiscated from the men were bound to Moscow, including by rail.

Each of the eight explosives contained around 800 grams of plastid, which is equivalent to 3.2 kilos of trotyl. Its range is around 150 meters. Now all explosives are in one of Moscow's labs and are being studied by experts, said Zdanovich.

Military Issues

Russia: Lebed Denies Existence of 'Dismissal Lists' for Military

LD0207112396 Moscow INTERFAX in English 1112 GMT 2 Jul 96

[FBIS Transcribed Text] MOSCOW, July 2 (Interfax) — There are no lists of Russian top-ranking generals to be dismissed, Secretary of the Russian Security Council Aleksandr Lebed told Interfax in an exclusive interview Monday.

The existence of such a list was reported by some mass media bodies in late June.

"I strongly deny the existence of any dismissal lists everyone is talking about. Conferences, discussions and analysis of the situation are underway. Not a single honest officer will be affected," said Lebed.

"As for those who abused their office or did not ensure order in their department, the army will only benefit from getting rid of them," he added.

Lebed said he had sent a cable to the Russian Defense Ministry to inform its leaders there are no dismissal lists.

He thinks further reshuffling in the Defense Ministry "is the business of a new Defense Minister." Lebed again said he approves of head of the Russian Armed Forces' General Staff Academy Col. Gen. Igor Rodionov as a candidate for defense minister.

Asked about the state of the Federal Security Service, including its counter-intelligence units, Lebed said "this system is much weakened, inefficient and practically disabled. We must ensure conditions for the return of professionals to this system and improve coordination among security departments."

Lebed neither confirmed nor denied the possibility of merging the Federal Security Service, the Federal Border Service and the Federal Agency for Government Communications and Information but stressed "we still have to look into this."

As for possible formation of a Central Intelligence Service to coordinate the work of all Russian intelligence bodies under the aegis of the Foreign Intelligence Service, the official said "there are many projects of the sort, but everything will depend on political decisions, financing and personnel."

"There are many variants; the optimum should be chosen," he added.

Russia: Duma Official Interviewed on Army Changes

LD2606155996 Moscow NTV in Russian 1535 GMT 25 Jun 96

[FBIS Translated Excerpt] Good evening! This is the "Hero of the Day" program. My name is Pavel Lobkov. The main news today was the headlong dismissals among top personnel at the Defense Ministry; five colonel-generals and two lieutenant-generals have resigned and thus a total of 19 large stars have fallen from generals' shoulder-straps, an absolute record since 1991.

Today we are discussing the circumstances of these dismissals and their possible consequences with Aleksey Arbatov, deputy chairman of the State Duma defense Committee and a deputy of the Yabloko parliamentary faction. Aleksey Arbatov is a doctor of science and a leading expert on the military. Good evening, Aleksey Georgiyevich!

[Arbatov] Good evening!

[Lobkov] Could you please enlighten us. There are many versions about today's dismissals but they boil down to a variation on one theme: they are a logical consequence of Grachev's dismissal. Is this indeed the case?

[Arbatov] Of course it is. Naturally Grachev was surrounded by people with whom he had been linked by years of service together, who were personally loyal to him. Therefore Grachev's resignation inevitably led to the resignation of a whole circle of people close to him.

It is another matter that perhaps not all of the sackings were in order; some of them were perhaps accidental. Some people, for example Zdorikov, should have resigned a long time ago. It was obvious to everyone that he, as well as some others, was not up to the job.

Some of the others, on the other hand, for example General Barynkin in my opinion, were sacked by accident. All I know about him is that he is a very decent officer. But in principle one rule applies here: when a minister goes, his team follows him. But why a minister should have his own people around him whom he appoints on the ground of personal liking is another question.

[Lobkov] Thank you. Let us remind you the circumstances of today's sensational sackings. [passage omitted: video shows part of Aleksandr Lebed's interview in the "Hero of the Day" program when he was appointed the secretary of the Security Council; gives details of today's events]

[Lobkov] I have a rather seditious question for you. The list proposed by Lebed automatically became the list approved by the president. Is this a good thing or a bad thing in your opinion?

[Arbatov] I do not think that it is very good because it is still not clear to us on what particular ground these people were sacked. No one has seen the decrees. No one knows what in particular they were sacked for. Imagine, if they had not been in that room [where, according to Lebed, a coup plot was allegedly discussed], what would have happened then? Does it mean that if they had they stayed in their offices they would still be occupying their posts?

What is certain is that military officers and generals who are incompetent or have compromised themselves in some way should resign. But the way it was done this time gives rise to serious bewilderment and confusion. The impression is that people are being sacked simply because they are personally disliked. On the other hand, I repeat, most of those sacked are of course people who have earned a very unfavorable reputation.

[Lobkov] In the nature of your work, you met these people. What can you say about them? What sort of people were they? What position did they occupy at the defense Ministry? And how much depended on them there?

[Arbatov] Basically, these people occupied the key posts, not all of the key posts, but the posts they occupied were among the most important key posts.

[Lobkov] Could you be more precise. Take, for example, Mr. Zherebtsov, who dealt mainly with conscription and the numerical strength of the Army. How realistic is the suggestion that he would have resisted the contract system in the Army? How prepared was he for the changes announced in the presidential decree under which the Army will be formed on the contract principle from the year 2000?

[Arbatov] You know, the military obeys orders. Therefore, I do not think that General Zherebtzov would have become a stumbling block here. On the other hand, of course he would not have been too happy about that because, following orders and sanctions from his commanders, he pursued a very different policy all these years. The policy was to expand orders [as heard], curtail contract service, cancel deferment from induction, prolong the period of service, even with hindsight. Therefore it would have been difficult for him to change.

But I would like to repeat that, in my opinion, the dismissal of Grachev and a whole number of other people could of course open the door for a military reform. Everything depends on who will replace them.

[Lobkov] What about Colonel General Kharchenko, whose appointment was much discussed at the time? Is he indeed Grachev's relative?

[Arbatov] Yes, they say that he is.

[Lobkov] Have you had any contacts with this general?

[Arbatov] I personally have not met him. But I saw him at meetings and I heard him speak.

[Lobkov] What do you think of General Barynkin?

[Arbatov] I have always had a very good opinion of General Barynkin. He is a good specialist. He was the head of the main operational directorate, which is the most important directorate in our military system. It deals essentially with preparations of all military plans and coordination of troops' actions. I cannot say anything bad about him.

[Lobkov] Is it true that all these people were indeed students at the General Staff Academy when Grachev was there and that they are members of his inner circle?

[Arbatov] You know, I have not made a special study of their biographies, but I can say that, with the exception of General Barynkin, the others, as far as I know, were closely linked to Grachev not only by their relations at work but also by the history of their careers and even by relations at personal level.

[Lobkov] With Grachev's resignation, every day brings more new candidates for the post of the defense minister. They include, in particular, General Mironov, who is currently Chernomyrdin's aide for military affairs, General Gromov, and General Rodionov, chief of the Academy of the General Staff. Can we discuss these candidates and their chances? For example, the appointment of General Rodionov is being much discussed at present. He was proposed by General Lebed. Is it possible that he will be appointed automatically?

[Arbatov] No, he will certainly not be appointed automatically. General Rodionov may be a very nice man and a good military man, but he is linked to certain political events.

[Lobkov] Do you mean Tbilisi [In April 1989 troops under Rodionov crushed a demonstration in Tbilisi]?

[Arbatov] Yes, I do. Therefore, whatever can be said in his favor, his appointment would be received in an unequivocal way around the world, in Russia, and in the so-called near abroad. As for the other people you mentioned, in my view...

[Lobkov, interrupting] What about General Gromov, Yeltsin's official representative, who allegedly has his own plan of military reform?

[Arbatov] As far as I know, General Gromov is a very decent officer. I think that if the new minister is to be someone from the military, Gromov, General Nikolayev, director of the Federal Border Service, and General Mironov — a very decent and honest man who resigned as a result of disagreement with Grachev's policies rather than get involved in politicking but simply, being an honest officer, stated his disagreement and resigned — all these people, the three mentioned above, are very decent men among the military.

[Lobkov] After these major dismissals, there is a possibility, and it is already being discussed, that for the first time a civilian defense minister may be appointed. In this case a very different picture is evolving, as far as the formation of the Army is concerned. I know that you were one of the first to speak openly about a civilian defense minister. How realistic is this at present?

[Arbatov] I do not think the president will dare to make this move at present. Of course the appointment of a civilian defense minister would make a great impression on the democratic members of our public, on the democratic electorate. This would indeed be a landmark event for Russia.

On the other hand, this would put off many of those who have a different view and who support those who have occupied very important political positions in President Yeltsin's administration. Therefore, I do not think the president will do this at present.

I must tell you the following. One could expect rejoicing now that Grachev, who had a very unfavorable reputation both as a result of Chechnya and as a result of corruption at the defense Ministry, has finally been sacked. But there is no joy. Why? Because if these people are indeed incompetent and are not up to their jobs, we had several years to get rid of them. Why were they allowed to bring the Army to such a miserable state and to do things unworthy of a Russian officer? Why did we have them at these posts for such a long time?

[Lobkov] But politics is always a combination of different influences, and it was only at this particular moment on the eve of the elections that this became possible.

[Arbatov] What do you mean became possible? Why could the president not have done it earlier? Was it only now that he learned something bad about them?

[Lobkov] Because the election campaign gives certain strength and it is quite natural for it to happen now.

[Arbatov] I cannot agree with you here. Perhaps it is right to do all this under the cover of the elections, but I wish it had been done a long time ago. On the other hand, I do not think that it will unequivocally improve the reputation and the popularity of President Yeltsin, because an overwhelming majority of our citizens do not know these people, they do not know that some of these people opposed the military reform, and they do not know that some dirty doings are trailing behind them. They regard these dismissals as hectic showdowns in the president's camp on the eve of the elections.

[Lobkov] Nevertheless, it was an important move because it is well known how close Grachev was to Yeltsin and it was difficult, as it would have been at any other time, for Yeltsin to part company with him and with a large group of people with big stars. Still, look at the defense minister's role in Russia today: as far as I can judge from Grachev's last months, the defense minister was a key figure in politics, in the good Russian tradition. Is there an opportunity now to change it and make the defense minister deal only with military issues, make him operate only in the military sphere?

[Arbatov] I would put it this way. A defense minister from the military, even if he is the most intelligent, the most knowledgeable, and the most sensible man around — and there are many officers like this in our Army and I know many of them personally — still, under the current system he would always remain a representative of the Armed Forces under the president and, for better or worse, he would look after the Army's interests under the president.

[Lobkov] Let us put it this way: he will lobby for the Army's budget...

[Arbatov, interrupting] Exactly. And in the future a man who is next to the president and occupies such a high post cannot avoid being involved in politics. If it is an officer, a general with big stars, he will drag his whole army into politics. He cannot be separated from it. And he will drag it into politics. And this is exactly what we can see now.

If the defense minister is a civilian, he will be the president's representative at the defense Ministry, in the Armed Forces. And he will not drag the Army into politics. He represents the president in the Armed Forces. He takes part in politics, and the officer corps and top generals as such do their professional duties: they prepare the Army to defend the security of the country. They do not get involved into politics.

There is another very important point. If such a minister makes some important blunders, at least a fraction of blunders made by Grachev, he is simply replaced by a new defense minister. But to sack a minister who is from the military, who by definition is the most senior, the most authoritative, and the best officer in the Armed

Forces, is not that simple. It would always be a blow to the Army.

[Lobkov] And now we want to draw your attention to the opinion of some military experts; it can hardly be described as very optimistic. Here is one of them. [passage omitted: IZVESTIYA columnist echoes Arbatov's opinion]

[Arbatov] From your point of view — as you can see, your opinions coincide to a large extent — is it possible that the command system in the Army will disintegrate now? Is it possible that some major processes will get under way in the Army now, I mean dismissals right, left, and center, up to regimental commanders? Or do you think the process will stop at these generals and remain as a lesson taught to Grachev's remaining entourage?

[Arbatov] What is the point of this lesson? They should have been replaced a long time ago, as I have already said. But I do not think the Army's command system will fall apart. First of all, we still have a directorate in charge of the branches of the Armed Forces. They continue to be in charge of the branches of troops subordinate to them.

Incidentally, despite all this disintegration in the Army in recent years, some troops, for example the strategic rocket troops, managed to preserve in full measure, despite the most difficult conditions, their combat readiness, their combat capability, and their manpower, and they looked properly after that menacing hardware on which the country's security depends.

[Lobkov] General Sergeyev, commander of the strategic rocket troops, is regarded as one of the possible candidates from the military for the post of defense minister.

[Arbatov] That is why I do not think the system will break up. And another thing: I do not think it will get as far as regiment commanders. Perhaps at some point in the future some of them who are not up to the posts they occupy will resign and will be replaced — I certainly hope so — and those who are up to their jobs can remain. This does not mean that everyone who has ever known or been friends with Grachev are bad officers by definition. It would be just another extreme. In the past, all of Grachev's people were outstanding and it was wrong. It would be as wrong now to brand people again, following the same principles. I am categorically against it.

As for the army command, it will not disintegrate. I am absolutely confident of that. But of course the demoralizing effect of all this will be very strong in the Army for the same reason: their defense minister, a military man, and an army general has been sacked. It is irrelevant whether servicemen believed in him or not; the system was such that by definition he was regarded as the best and the most authoritative officer. Now he is sacked. He is followed in large numbers by those who had links with him. Nobody knows who will come next and how new people will be selected.

[Lobkov] As I know, at the beginning of the 1990's your name was linked to an attempt to form first the Soviet and later the Russian military doctrine, which was to give a general definition of the Army's functions. What state is the process at now? Does the military doctrine still exist, I mean as a certain code of rules?

[Arbatov] I did not participate in creating the doctrine. I simply researched the issue and wrote about it.

As for its present state, the thing is we did not have a doctrine then and we still do not have it now, because it has not been clearly defined who our possible enemies are, what kind of war there could be, and what needs to be done to prevent war in military terms. There is a combination of general phrases, and a theoretical exercise entitled wars of military arts. The doctrine should be a clear guide to action for those who are in charge of the Armed Forces and for those who supply them with arms and hardware. The present doctrine is not fulfilling these functions at all.

[Lobkov] Were there any ideas, and at what stage were they stopped, if I can put it this way? Who was proposing them? Why did they never reach the final stage? Who was at fault, the military or the civilians?

[Arbatov] Both. Unfortunately, President Yeltsin did not give it proper attention. Under the Constitution and de facto, so to speak, he concentrated enormous powers in his hands but he did not give appropriate attention to the management of the Armed Forces.

[Lobkov] Can one say that these opportunities are opening now?

[Arbatov] Why?

[Lobkov] Because President Yeltsin is dealing with it directly.

[Arbatov] I do not know. Now we are dealing with the election campaign, let us wait and see what happens after the elections. Because without top political leaders, military policy cannot be controlled, the military doctrine cannot be formed, and no financial provisions for it can be made. You know, our military budget sways all the time either in one direction or another. Nobody knows what is going to happen next year. Military policy cannot be planned in such a manner, and it cannot be implemented in such a manner. Therefore the reforms have reached a deadlock. There is no doctrine, and we do not know how to reform the Army, what objectives to aim at there, and how to change the Army, whether we should move to a contract service system or retain conscription. All this is due to the lack of a firm and consistent political leadership.

On the other hand, military men like Grachev were preventing it. They did not want to share their power with anyone; they wanted to keep everything to themselves, if possible. They often presented a distorted picture to the president regarding the real situation in the Army. They did all they could to hamper the process, judging by the fact that in the past few years Grachev has not moved anywhere, except perhaps backwards. The result of his work can be assessed as very poor.

[Lobkov] Thank you. It seems that the president has an opportunity now to stimulate the formation of a military doctrine and to begin resolute changes in the Army itself. As for causes and effects, opinions may differ, but in any case the president today made a decisive move by sacking the closest circles in Pavel Grachev's entourage in the top echelons of the defense Ministry. We discussed this main news today with Aleksey Arbatov, one of our leading military experts, State Duma deputy, and deputy chairman of the defense Committee.

Federal Assembly

Russia: Seleznev: State Duma To Choose Premier if Yeltsin Elected

LD0107164196 Moscow INTERFAX in English 1624 GMT 1 Jul 96

[FBIS Transcribed Text] MOSCOW, July 1 (Interfax) — Duma Chairman Gennadiy Seleznev does not doubt that the house will approve the new prime minister proposed by Boris Yeltsin if the latter is re-elected as president. He told journalists Monday that the State Duma will have to change its agenda for this purpose.

Because the new president will be inaugurated in early August, the Duma, whose session must come to a conclusion at the end of July, will not go on vacation until the prime minister is approved, Seleznev said.

Inviting Kemerovo region Governor Aman Tuleyev to join the new government would be a masterstroke, he feels. Tuleyev withdrew from the presidential race on the eve of the June 16 elections in favor of leader of the Communist Party Gennadiy Zyuganov, supported by the Popular-Patriotic Bloc. "Tuleyev is a very experienced manager whose energy has not been fully used, who knows both the production and the management system itself. This is why I think he will fit in perfectly in the new government," Seleznev said.

He described as provocative the statement made Sunday by Stanislav Terekhov, the leader of the Union of Russia's Officers, incorporated in the Popular-Patriotic Bloc, on the Itogi TV program in which Terekhov sharply criticized Zyuganov's campaign which, he said, failed to recruit the armed forces to his cause and for its proposal to set up a coalition government. Seleznev said that the members of the bloc, left or right, should not do so.

The criticism of the coalition government proposal is biased, he said. "Zyuganov did not suggest forming a government along party lines. He advocates a government of professionals proposed by various parties and movements. Currently, numerous professionals are not in the government just because they are not in the ruling party," Seleznev said.

Russia: Special Duma Session May Be Needed To Approve Premier

LD0207073396 Moscow ITAR-TASS in English 0723 GMT 2 Jul 96

[By Ivan Novikov]

[FBIS Transcribed Text] MOSCOW, July 2 (Itar-Tass) — Speaking in an interview with Itar-Tass here on Monday, first deputy speaker of the State Duma (Russian parliament lower house) Aleksandr Shokhin said that he does not preclude a chance of calling a special session of the Duma in August or September to approve the candidacy of Russian cabinet head.

Shokhin noted that the legislative procedure makes it binding on a President-elect to submit the candidacy of premier to the legislature no later than late August-early September. The State Duma should examine it within a week.

This is exactly the time deputies will be on their summer holidays.

According to a schedule approved by the chamber, the holidays will start on August 1 and will last till October. "The question is within what period President to be elected on July 3 will submit a proposal on the candidacy of Government Chairman to the State Duma," Shokhin said.

Russia: Federation Council Speaker Calls For Consolidation

LD0107172296 Moscow INTERFAX in English 1547 GMT 1 Jul 96

[FBIS Transcribed Text] MOSCOW, July 1 (Interfax) — Addressing journalists at a press conference on Monday, Federation Council Speaker Yegor Stroyev said Russia cannot move backwards, it can only move forward along the road to democratic reforms and transformation.

Stroyev described the situation in society he described it as rather troublesome. "Extremist forces, both the right-wing and the left-wing, are pulling the society in different sides not understanding possible consequences," he said. Continuing confrontation in society may push Russia in an abyss of chaos, he said. "The Federation Council and I have no right to divide the society into two parts, into Reds and Whites. We have a single country, single people and single president. Russia needs an idea of consolidation," he said.

With regard to the second round of presidential elections, Stroyev said that one should put aside private offenses because the matter concerns Russia's fate.

Stroyev wrote off the idea of a coalition as an idea whose time had passed. "Today is the time for professionals who are able to create an economy adapted to market conditions," he said. According to Stroyev, the government to be formed after the elections must not be based on the principle of political ties.

Stroyev described involvement of former presidential candidate General Aleksandr Lebed in the presidential team as "a very correct move." According to Stroyev, involvement of other participants of the first round of presidential elections in the government, for example, such well known politicians as Svyatoslav Fedorov and Grigoriy Yavlinskiy, will bring good to the society and to the country as a whole.

Russia: Duma Displeased With Ukraine's Constitutional Amendment

LD2706134396 Moscow ITAR-TASS in English 1249 GMT 27 Jun 96

[By Ivan Novikov]

[FBIS Transcribed Text] MOSCOW, June 27 (Itar-Tass) — The adoption by the Ukrainian parliament of an amendment to the Constitution, which bans the deployment of foreign military bases on its territory, has met with a negative response at the State Duma, Georgiy Tikhonov, Chairman of the Duma Committee For The Affairs of CIS And Relations With Compatriots, told Tass today. "Of course, this step will worsen Russian-Ukrainian relations," he added.

According to Tikhonov, Kiev is trying with the help of this amendment to make more complicated the problem of Sevastopol which, as Moscow legislators believe, has been and continues to be a Russian city. "The Russian parliamentary delegation reminded Prime Minister Marchuk of it once again during their official visit to Ukraine," Tikhonov said.

According to Tikhonov, the including of the ban in the Ukrainian Constitution "puts Russia in a situation, in which the negotiating process forces both sides to stick to the international rules and norms, and there are no international agreements, under which Sevastopol was turned over to Ukraine." In his opinion, this will permit Russia to appeal to the international court, if the events take a turn, which is unfavourable to it.

Regional Affairs

Russia: Voting Begins in Chechnya Despite Groznyy Explosion

LD0207060596 Moscow ITAR-TASS World Service in Russian 0544 GMT 2 Jul 96

[By ITAR-TASS correspondent Nikolay Zagnoyko]

[FBIS Translated Text] Groznyy, 2 Jul (Itar-Tass) — Voting in the elections of the Russian Federation president have started in the Chechen republic. The first 553 voters voted in Nadterechnyy district at 0800 [Moscow time]. Abdulkerim Arsakhanov, chairman of the republic's central electoral commission, told the ITAR-TASS correspondent this. Fuller information about the districts is expected by midday. But for the moment it can be said that the elections have started actively in the republic and all the polling stations are open.

At the same time, there was an unpleasant incident. An explosive device went off toward the morning by the front of polling station No. 12 which is located in a block of flats not far from Government House in the center of Groznyy. The explosion shattered the glass in the house and many of the residents were injured. In spite of this incident voting is going on at the polling station now.

Russia: No Results in Talks on Chechen POW Exchange

LD0107182296 Moscow ITAR-TASS World Service in Russian 1639 GMT 1 Jul 96

[by ITAR-TASS correspondent Nikolay Zagnoyko]

[FBIS Translated Text] Groznyy, 1 Jul (Itar-Tass) — The working groups of the federal center and Chechen separatists, which met in Khankala and Novyye Atagi today, did not achieve tangible results. This assessment was made to the ITAR-TASS correspondent by Colonel Roman Sokolovskiy, head of the press center of the joint federal forces in Chechnya.

The working groups which sat in Khankala discussed problems of the search for missing persons and exchange of forcibly detained persons. Having discussed technical questions, they set deadlines for exchange of the bodies of the dead, but did not reach agreement on the most important point — exchange of captives. The armed Chechen opposition refuses to return the PoW's seized on the night of 31 May at Shuani road block. Of the 27 servicemen captured, only 14 have returned home. The remaining 13 are still in captivity, and no agreement on their return is yet envisaged.

As for the village of Novyye Atagi, south of Groznyy, there representatives of both sides examined the package of military questions, and tried to define the content of such concepts as "illegal keeping and bearing of arms", "demilitarization", and "special operations." No mutually acceptable solutions were worked out on any of these points. At the same time the sides signed a protocol on a point envisaging the elimination of road blocks between 10 June and 7 July and the withdrawal of federal forces from the territory of the republic by 1 September as laid down in the Nazran accords.

Confirming these accords, the working groups are tabling the agreed protocol for examination by the session of the delegations which are headed on the federal side by Minister for Nationalities Vyacheslav Mikhaylov, and on the separatists' side by Aslan Maskhadov, chief of staff of the fighters' formations. A meeting of high-ranking delegations will be held on 3 July. It is not ruled out that it will also discuss problems of exchange of forcibly detained persons.

Russia: Chechen Separatists Seen Putting Pressure on Federal Side

MM0207111696 Moscow KRASNAYA ZVEZDA in Russian 1 Jul 96 p 1

[Article by Aleksandr Pelts: "Chechens Must Agree Among Themselves"]

[FBIS Translated Text] In the past 24 hours 15 instances of shellings of federal troops' positions were recorded in Chechnya. Nine of these were in Groznyy. As the press center of the combined federal forces in the Chechen Republic told ITAR-TASS, two servicemen were wounded as a result of the shellings. One, according to reports that were unconfirmed at the time of going to press, was killed. There were no losses in Defense Ministry subunits. Apart from the shellings, land mines continue to explode as the troop convoys pass.

In the context of the difficult talks with the Chechen separatists, such instances testify to the obvious attempts by the gunmen to put pressure on the federal side's delegation. The aim is also obvious — to achieve the fulfillment of their demands, which, according to assessments already made public, are deemed unacceptable. Let us recall that the Chechen separatists seek the removal of republic head Doku Zavgayev, the disbandment of the existing parliament, the holding of new elections, and, naturally, the withdrawal of federal troops from Chechnya. Rallies of local inhabitants were organized in some places, demanding that the servicemen leave their blockhouses.

Of course, all these provocative events complicate the course of the talks. Nonetheless a meeting was set for 1 July between the working groups of the federal side and the Chechen separatists on locating MIA's and freeing people being held by force. For the time being the sides only intend to exchange the lists compiled. A specific handover mechanism and methods for locating MIA's will be defined later.

Naturally, the withdrawal of the federal troops from Chechnya will substantially change the situation in the republic. This was discussed at an extended session of the Chechen Republic Government. A decision was adopted on reviving rayon internal affairs departments, creating rapid reaction groups under them, and trebling the numerical strength of local OMON [special-purpose police detachment] subunits. But the main task dealt with during the session was to bring to the negotiating table with the separatists "not Russia, but the real and legitimate forces that now exist in Chechnya."

In these difficult conditions the republic is also preparing for the upcoming second round of the presidential elections. Because of the complexity of the political situation in the republic the elections will take place here on two days — 2 and 3 July. Abdul-Kerim Arsakhanov, chairman of the republic electoral commission, told the ITAR-TASS correspondent this. As for the early voting in the military units temporarily stationed in Chechnya, it is practically completed by now.

As Arsakhanov noted, the premises where the elections will take place have been put under reinforced guard. So the lamentable experience of 16 June, when two polling places were blown up and two more burned down, has been taken into account. However, despite the threats and terrorism, more than 70 percent of the republic's inhabitants still took part in the first round of the elections.

Russia: Moscow Mayor's Agenda in St. Petersburg Noted

MM0207111496 Moscow IZVESTIYA in Russian 29 Jun 96 p 1

[Unattributed report: "Moscow and St. Petersburg To Exchange Missions"]

[FBIS Translated Text] Moscow Mayor Yuriy Luzhkov arrived in St. Petersburg 27 June to conclude a number of bilateral agreements with the government of the city on the Neva. INTERFAX was told at City Hall that Yu. Luzhkov intends, in particular, to sign a treaty with St. Petersburg Governor Vladimir Yakovlev on the exchange of permanent missions. Moreover, documents could be signed on the organization of city management structures, the construction of garbage recycling plants, and also a program for the reconstruction of homes from the first period of industrial construction, colloquially known as "Khrushchovels."

Economic Issues

Russia: Chernomyrdin Sees Stable Macroeconomic Situation

LD0107172496 Moscow ITAR-TASS in English 1649 GMT 1 Jul 96

[By Artem Protasenko]

[FBIS Transcribed Text] MOSCOW, July 1 (Itar-Tass) — Russian Prime Minister Viktor Chernomyrdin told a press conference in Moscow on Monday that "the macroeconomic situation in Russia is predictable and stable."

The Prime Minister said the inflation growth rate in June was registered at 1.2 percent and it is expected to amount to no more than 24 percent for the year.

He said the situation in the financial market has stabilised and the real incomes are showing the first signs of growth.

According to Viktor Chernomyrdin, judging from everything, all prerequisites for the beginning of growth are already in evidence in the national economy. The production slump rate is slowing down and the economic growth must begin in 1997, according to the government estimates.

Ac concerns agriculture, the Prime Minister said that this year's spring field work was "done at a higher level than last year, and there is hope for a good harvest."

Russia: Next President's Economic Problems Viewed

MM0207103096 Moscow FINANSOVYYE IZVESTIYA in Russian 27 Jun 96 p IV

[Article by Vladimir Mau, deputy director of the Institute of Economic Problems of the Transitional Period: "Russia Cannot Afford To Repeat the Historical Mistakes"]

[FBIS Translated Text] Whoever wins the presidential election will come up against a complex package of economic problems. But this is the only similarity between the scenarios.

One scenario for the development of events is based on the logical development of the current economic and political course. In the spring of 1996 inflation in Russia dropped below the threshold which rendered the implementation of production investment impossible. The country evidently has a chance to attain an annual rate of price increases of no more than 40 percent, which lifts the most important barrier to economic growth.

Much is being said now about an unavoidable financial crisis caused by the government's large-scale domestic borrowing over the last few months. It seems, however, that the rumors about the financial system's collapse are considerably exaggerated. It is not just the fact that the level of Russia's domestic borrowing as a proportion of GDP is considerably lower than the corresponding indicators in developed Western countries. Given a favorable development of political events, the country can expect a significant inflow of foreign capital originating more than likely from three sources simultaneously.

First, the conversion of savings from foreign currency into rubles. The process of the economy's dedollarization proceeded quite actively already in mid-1995, but it was cut short on the eve of the elections.

Second, the repatriation of capital exported abroad over the past few years. The yield of investments in Russia is significantly higher than in the calm countries in the West. In order to minimize political risks, this capital will enter the Russian stage as foreign capital.

Third and last, Russia expects a boom of foreign portfolio investments placed both in state and in private securities. Foreign investors have been closely watching this market for several years now and, judging by numerous signs, they are ready to bring their money here.

But if there is a crisis threatening us in such a development of events, it would be a crisis in the banking system. A sizable proportion of banks in our country are small and rather flawed formations, geared to high inflation with its extremely broad opportunities for speculation, the availability of "cheap money," and the high level of demand for services in cashing money resources. Macroeconomic stabilization undermines the foundations of this kind of business. The banks must start operating in conditions of low interest rates, in other words they should be geared to the volume rather than the rate of profits. They must give increasingly great attention to investment processes. It is understandable that the relatively large banks are in a position to do so. The bulk of the rest either will go bust or will be swallowed by the financial giants. The way the country's economy emerges from this crisis will determine to a considerable extent the future prestige of the Central Bank and the government.

The state budget deficit will pose yet another major problem. No longer as a source of inflation, however, but as a brake on investment and economic growth. Over the last few years, left-wing economists have lightheartedly spread the pseudo-Keynesian view that the budget deficit (in other words the injection of money into the national economy) would result in production growth. In actual fact, everything in postcommunist Russia is exactly the opposite. Large-scale financial borrowing by the government is needed to cover the budget deficit, and this raises the cost of such borrowing and therefore the yield of state securities. Consequently there is an increase of the overall level of the cost of loan resources, including commercial credit as a most important source of investment.

Thus, it is not enough to insist that reducing the return on state short-term bonds would be the most important task of the Russian Government. It would be much more important to reduce the budget's dependence on state short-term bonds. It is no longer possible to solve this problem by impulsively reducing expenditures — it is necessary to profoundly and consistently reform the sectors putting the main burden of the budget (agriculture, unreformed Army, coal industry).

It is, of course, impossible to avoid the question about budget revenues, seeing that it is suffering from astronomical shortfalls. It does seem, however, that at least 50 percent of the problem of nonpayment of taxes is political. Nobody will pay taxes if it is possible to avoid doing so without any special danger of being declared bankrupt or sued. Furthermore, the current political situation does, to a considerable extent, simply encourage the nonpayment of taxes.

Support for the currency exchange rate will be a most acute marcoeconomic problem. But not the rate's collapse, as some economists write; quite the contrary. In the conditions of capital inflow, the Central Bank will not find it easy to guarantee the smooth reduction of the ruble's exchange rate which has been promised to exporters. Policy may find itself caught in a surprising trap: Maintaining the rate within the promised band would require sizable money emission which would regenerate inflation, and consequently the ruble's real exchange rate will still exceed the estimated parameters. Thus, the ruble will be strengthened again and exporters will again be the losers. Such a development of events will not promote greater trust in the authorities' promises.

Structural policy will require special attention. This question is usually interpreted in a somewhat vulgar manner — as the need for a state program to help some (priority, as it were) sectors and enterprises. In practice, however, it ends up that everyone is a priority case.

The package of most acute structural problems in contemporary Russia lies in a completely different plane. The main sore point here is the gap between the interests of export-oriented sectors and of sectors working for the domestic market (the so-called import-substitution sectors). At present their interests are diametrically opposed. The former need a low ruble exchange rate, the latter need a high rate. The former yearn for maximum liberalization of the foreign economic regime, the latter desire protectionism. The former are interested in financial stability and are therefore ready to accept the policy of "expensive money," the latter attach vital importance to financial support from the state, even at the cost of high inflation. This gap, as is shown by the experience of many states during the second half of the 20th century (primarily in Latin America), can lead to really grave political consequences the signs of which, incidentally, are already clearly visible in Russia.

Russia's economic problems will be perceived in a different way by Zyuganov's government. Emphasis will be placed on the problem of "restoring the national economy."

The starting point for resolving this task would be to boost state expenditures both directly in production (offsetting mutual debts, increasing circulating capital, investments) and through measures to stimulate consumer demand. State expenditures would immediately go beyond the limits of budget potential. But since the country at present has considerable gold and foreign currency reserves, the expansion of budget expenditures could be financed for several months without an immediate collapse of the exchange rate and the corresponding inflationary leap.

Furthermore, initially these measures would indeed prompt a certain revival in the economy. Especially against the background of overall market conditions in

1996, with macroeconomic preconditions for incipient growth emerging in practice in Russia. Growth needs demand, and a left-wing government would try to create it. But the core of the problem lies in the fact that although this populist pumping of the economy (with the help of exclusively state-funded investments and state-funded social payments) does ensure some growth, such growth would be short-lived and artificial and would turn into a profound crisis in just a few months' time.

In addition, it is perfectly possible that a left-wing government would also try to freeze the prices of a series of foodstuffs, as well as of fuel, raw materials, and transportation services. It would be impossible to switch to total control of prices — this will not be allowed by the financial- economic structures which back the Communists. It is well known that these structures are dominated by those which cannot adapt to market competition, are unable to produce goods for export, and strive to protect themselves against bankruptcy which would be unavoidable in such a situation. They will realize their long-cherished dream of having fixed prices for their suppliers' products (primarily energy and transportation) and free prices for their own output.

The further development of events is also obvious. Tension on the currency market will rise as currency reserves as exhausted. The government will have to choose between either devaluing the ruble's exchange rate (reducing its value against the dollar) or introducing a mandatory exchange rate. The first option will make the acceleration of inflation inevitable, and this will be followed by further expansion of the sphere where state prices are applied. The second option hinges on a shift of currency operations to the black market with simultaneous curtailment of supply of imported goods, since importers are not likely to exchange currency at an artificially set rate of exchange. The absence of competition from imports will immediately manifest itself in a sharp acceleration of inflation on the consumer market. And just as under the first option, the government will more than likely be unable to find any better arguments than freezing prices. To put it briefly, whichever way we take, commodity shortages will be inevitable.

All this will happen, but not at once — Russia has accumulated reserves making it possible to compensate for left-wing experiments. It will take about a year before we return to universal waiting lines.

And one more aspect. The program offered by the left-wing nationalist bloc is not original. While criticizing the right-wingers for their inclination to follow the IMF's prescriptions "elaborated for underdeveloped third-world countries," Zyuganov has offered Russia an economic program which is painfully reminiscent of Chilean President S. Allende's activity. There is no guarantee that the consequences of such a program's implementation will not have equally lamentable consequences in Russia, to be followed by the political consequences which ensued in Chile a quarter of a century ago.

Russia: Premier Concedes Agriculture's Need for Support

MM0107151396 Moscow ROSSIYSKAYA GAZETA in Russian 29 Jun 96 p 1

[Report by Aleksandr Gavrilyuk under the "Topic of the Day" rubric: "The State Puts Its Shoulder to the Peasant Wheel"]

[FBIS Translated Text] The state will put its shoulder to the peasant wheel, but it will help first of all those who prove that they know how to work the land.

The All-Russia Agricultural Workers' Conference has been held in the State Kremlin Palace. Delivering a report to the conference, Government Chairman Viktor Chernomyrdin acknowledged that agriculture has been the least protected sector of the economy under the reforms, as a result of which it has been subject most severely of all to the dictates of monopoly structures — the fuel and energy complex, enterprises supplying materials and equipment, and the spheres of processing and trade. The premier noted that the president had recently signed a targeted program to stabilize the agro-industrial complex.

The premier's statement that the government pins its chief hopes on large collective farms was perhaps somewhat unexpected.

The country's food security remains the main problem on which the government is working. The country has not been dependent on grain imports for several years now. The ration-cards and lines have disappeared. A little more effort and the country will be self-sufficient in vegetable oil; there is no problem with vegetables.

As far as this year is concerned, the peasants have obtained a substantial concession by presidential edict: As of 1 May the charge for electricity was reduced, and loans and interest on loans have been deferred to 2005 — this comes to 21 trillion rubles. The peasants are getting subsidies for stockraising, poultry farming, and the acquisition of mineral fertilizers — R2.8 trillion has been earmarked for these purposes by the government this current year, and more than R1 trillion has already been allocated.

Nevertheless, according to specialists' calculations, the Ministry of Agriculture and Food must earmark at least

R36 trillion on the expenditure side of the federal budget. Touching on the sensitive topic of credit allocation, the head of government reported that henceforth money for agriculture will be transferred solely via the Federal Treasury.

The following was also emphasized at the conference: The formation of a more effective mechanism for state support of the agro-industrial complex will be the main element in the government's program.

Furthermore, the government will strictly adhere to the rule that resources allocated by the state will be directed toward those agricultural producers who boost output, and no one else.

International Affairs

Ukraine: President, Prime Minister Receive Japanese Foreign Minister

LD0107121896 Kiev Radio Ukraine World Service in Ukrainian 1000 GMT 1 Jul 96

[FBIS Translated Text] Ukrainian President Leonid Kuchma received Japanese Foreign Minister Yukihiko Ikeda today. The two men discussed a broad range of issues of bilateral relations and ways of deepening them.

Ukrainian Prime Minister Volodymyr Lazarenko received the eminent Japanese guest. Both sides expressed interest in developing bilateral relations. Ikeda said Tokyo was paying significant attention to the development of contacts with such a great state as Ukraine.

The guest expressed hope that adoption of the new [Ukrainian] constitution will become a serious prerequisite for Ukraine's transition to market economy in the shortest possible period of time. The minister said he will make personal efforts to attract Japanese capital to the Ukrainian economy.

Also, Ukrainian Foreign Minister Hennadiy Udovenko and his Japanese counterpart Ikeda held talks today.

Ukraine: Kuchma, Japanese Foreign Minister Discuss Ties, Chernobyl

LD0107143396 Kiev UNIAN in Ukrainian 1220 GMT 1 Jul 96

[FBIS Translated Text] Kiev — The right to private ownership, the ownership of land in particular, is another "good signal" for the international investors who show interest in investing their capital in Ukraine's development, Ukrainian President Leonid Kuchma said in conversation with Japanese Foreign Minister Yukihiko Ikeda. The president said that by adopting the Constitution, Ukraine proved to the world that its policy was predictable and that it was "a normal business partner for the world community."

The Japanese foreign minister said the adoption of the Ukrainian Constitution again convinced the G-7 that Ukraine was "an important factor of stability." Ikeda said the Japanese Government was interested in the stable development of Ukraine and would promote its political and economic reforms.

It was stated at the meeting that Kiev and Tokyo intended to continue expanding cooperation, in the power engineering industry in particular. He said that the Export-Import Bank of Japan had opened a credit line. The minister told Kuchma that the G-7, at its summit in Lyon, praised the fact that all nuclear warheads had been removed from Ukraine. He also said that his country would continue helping Ukraine destroy its nuclear weapons infrastructure.

Touching on the problem of closing down the Chernobyl nuclear power station, Ikeda stressed that the G-7 approved of the decision to shut down the station's first generating set by the end of 1996 and put the station out of operation by 2000.

For his part, Kuchma remarked that the decision of the G-7 to grant a credit of up to $3 billion, announced in Moscow, was important. However, the funds have not yet been provided and this "in some ways affects the closure of the Chernobyl nuclear power station."

Ukraine: Japanese Premier Hails Constitution, Promises Further Aid

LD0107173196 Kiev UNIAN in Ukrainian 1100 GMT 1 Jul 96

[FBIS Translated Text] Kiev [no date as received] — By adopting the basic law, Ukraine will now become "more accessible," particularly, for Japan, Japanese Foreign Minister Yukihido Ikeda noted during his meeting with Ukraine's Prime Minister Pavlo Lazarenko on 1 July.

As the government press service told UNIAN, Lazarenko stressed during the meeting that the government will continue to pursue the economic policy, proclaimed by the president. He noted that the current economic situation in Ukraine was complex and that the "payments crisis had crossed beyond the point of tolerance." However, the government was seeking sources of revenue, in particular, by cutting electricity consumption by 18 percent by the end of the year and gas by 4-5 billion cubic meters.

Lazarenko assured the Japanese guest that large-scale privatization will be completed by the end of the year. He called on Japanese enterprises to take part in this process.

The Ukrainian prime minister thanked the Japanese Government for granting aid to Ukraine amounting to 150 million Ecu, which was used to pay off wage arrears.

According to the Japanese foreign minister, in a week's time Ukraine will receive aid amounting to 50 million Ecu.

Ukraine: Accords With Iran, Turkmenistan Seen as 'Quite Promising'

AU0207082196 Kiev HOLOS UKRAYINY in Ukrainian 28 Jun 96 p 4

[Commentary by Valentyna Pysanska: "Without Blind Alleys" — first paragraph published in a box]

[FBIS Translated Text] Yesterday [27 June], the first conference of the Joint Ukrainian-Turkmenistani-Iranian Committee for Issues of Trade-Economic and Investment Cooperation that was held in Kiev for four days completed its work. Not only did representatives of these countries discuss all ways of possible cooperation, but they also signed a series of documents and accords, which are of vital importance for all the participants in the process.

When last year, during an official visit to the Islamic Republic of Iran, Ukraine's Foreign Minister Hennadiy Udovenko signed a memorandum, which became the 35th consecutive accord between our countries, the press reacted skeptically to the fact: Yet another document that will never work.... However, in March 1996, during the visit to Kiev by Iranian Foreign Minister 'Ali Akbar Velayati, who had also visited Turkmenistan, an accord was reached about tripartite cooperation, and specific projects were named whose implementation will be very advantageous for Ukraine, Iran, and Turkmenistan. To put it differently, they spoke about the creation of a kind of triangle of mutual interests.

The interests are as follows: Ukraine owes Turkmenistan a pretty penny for gas. Turkmenistan owes Iran for building a thoroughfare and a railroad. Whatever one might say, both Ukraine and Turkmenistan have hardly any funds to pay off their debts. Ukraine, however, can settle its accounts with Turkmenistan through certain goods, for example, mineral fertilizers. Yet, there is a problem here: The creditors do not need this type of commodity. Iran, at the same time, is interested in getting it. It was, therefore, decided that Ukraine would repay Turkmenistan's debts to Iran, thereby redeeming its own debts to Turkmenistan. Apart from this, Ukraine's participation in building infrastructure facilities both in Turkmenistan and Iran is envisaged. These include, in particular, highways, railroads, hydroelectric power plants, and also power-engineering complexes on the Atrek River.

The delegations, headed by 'Ali Akbar Velayati, Iranian foreign minister; Boris Shikhmuradov, Turkmenistani foreign minister; and Vasyl Yevtukhov, Ukraine's vice prime minister, also found other spheres of common interest: Cooperation in machine building, power engineering, and trade, and also a possibility of implementing a tripartite clearing system as a mechanism of mutual financial settlements between the three countries for natural gas deliveries from Turkmenistan to Ukraine as payment for supplies of Ukrainian products to the aforementioned states.

As concerns future prospects, Ukraine sees them (and Iran also shows some interest in this) in the participation in prospecting operations on Iranian oil and gas fields and in extraction and transportation of these raw materials.

Of course, there are more than enough problems in this cooperation. Problems, but not blind alleys. Besides, the start has been quite promising.

Ukraine: Kiev Concludes Barter Deal To Purchase Iraqi Oil

WS0207092796 Kiev INTELNEWS in English 0149 GMT 2 Jul 96

[FBIS Transcribed Text] Kiev, July 1 — Ukraine will buy about 4 million tons of Iraqi oil in a barter deal for Ukrainian engineering, government officials announced Monday [1 July]. Ukraine State Committee for Oil and Natural Gas Industry Chairman Yevhen Dovzhok is in Baghdad heading Ukraine's delegation. The oil will be transported to Odessa by tankers.

National Affairs

Ukraine: Moroz: Constitution Needs Fine-Tuning

LD0207102796 Kiev UNIAN in Ukrainian 1715 GMT 1 Jul 96

[FBIS Translated Text] Kiev — Oleksandr Moroz, Ukrainian Supreme Council chairman, considers that the new constitution needs fine-tuning, however, if required, the parliament will make changes to it not earlier than during the sixth or seventh session of parliament. It has not been ruled out that he will recommend making changes to the constitution during the next convocation. Moroz said this at a news conference today, in response to a question from UNIAN.

He said that after experts have worked on 500 pages of the shorthand record and "polished up the terminology" of the constitution, the Supreme Council "will decide on the final text of the basic law". Oleksandr Moroz did not rule out that the parliament will adopt a formal decision on adopting the definitive version of the basic law, after which it will come into force.

Oleksandr Moroz also said the Constitutional Court will be formed this fall, at the beginning of the parliament's sixth session, and then discussions of the new civil code will begin. Among the most important laws that the parliament will debate at the start of the next session will be the law on elections. In his words, 47 laws must be approved by parliament if the constitutional norms are to be implemented. This does not include the laws on making changes and additions to current legislation.

Oleksandr Moroz stressed that in connection with the disbandment of the Supreme Council Presidium "the status of the parliament's leadership and its committees was rising". Moroz said that "changes were being prepared to [parliamentary] regulations, as well as structural changes in the parliament and its apparatus" in connection with the Supreme Council's new powers as envisaged by the constitution. Oleksandr Moroz did not rule out either that there would be structural changes in the [parliament] groups and factions, specifically, the Reform, Agrarians for Reforms and Statehood factions.

Ukraine: Kuchma Revokes Decree on Holding Referendum on Constitution

LD0107191396 Kiev UT-1 Television Network in 1800 GMT 1 Jul 96

[No video available]

[FBIS Translated Text] Today we received a presidential decree. In particular, it says that on 28 June, the Supreme Council adopted a new constitution of Ukraine. The constitutional process in Ukraine, which lasted for more than five years, has been completed. With the adoption of the constitution by the Ukrainian Supreme Council, there is no longer a need to hold an all-Ukrainian referendum on this issue. Proceeding from this, the Ukrainian president has resolved to declare that presidential decree No. 467 of 28 June 1996, on holding an all-Ukrainian referendum on adopting the new Ukrainian Constitution should be regarded as having lost its validity. This decree comes into force at the time of signing.

Ukraine: President Kuchma Makes Personnel Changes

LD0107140196 Kiev UNIAR in Ukrainian 0945 GMT 1 Jul 96

[FBIS Translated Text] Kiev — Some personnel changes have been made under the Ukrainian president's edicts of 1 July:

Vasyl Durdynets has been dismissed from the post of chairman of the coordinating committee for combating corruption and organized crime under the president of Ukraine, in connection with his transfer to another job;

Oleh Lytvak, Ukrainian presidential aide for legal issues, has been appointed chairman of the coordinating committee for combating corruption and organized crime under the president of Ukraine;

Yuriy Bochkarev has been appointed minister of power engineering and electrification of Ukraine.

Ukraine: Governmental Session on Crimea's Problems Detailed

WS0207112496 Kiev UKRINFORM in English 0949 GMT 2 Jul 96

[From the "Current Events" feature]

[FBIS Transcribed Text] According to UKRINFORM's metropolitan correspondent, on Monday, July 1 First Vice-President Vasyl Durdynets summoned and chaired a meeting in Kiev of high-placed ministerial and departmental officials to deliberate over Crimea's pressing economic and social problems and progress made in implementing President Kuchma's decrees, enactments to this effect, as well as Prime Minister Lazarenko's instructions voiced at a June 24 session of the government. The discussion focused on basically the Crimean deportees' problems with many criticisms articulated by the speakers, who intentionally avoided mentioning positive shifts preferring to dwell on shortcoming and drawbacks instead. This was a natural response to the Ukrainian President's promise to personally follow the Crimean developments on a daily basis.

In view of this both Vice-Premier Kuras, who is in charge of the government's humanitarian policies, and the bulk of the speakers tried to appear very careful and thorough in sifting through the available information furnished by diverse ministries and departments about the socio-political and economic situation in the peninsular autonomous republic. As the First Vice-Premier stressed in his speech, the time of long debates and idle talk has gone by, and now only deeds and actions are what really matters.

The session outlined some top priorities to be solved in the legal-political sphere, as well as employment, social adaptation, educational, health care and cultural problems. The session set rigid deadlines for implement's earlier resolutions and pledged tightened control over the process.

Economic Issues

Ukraine: Kuchma Establishes Antibankruptcy Agency

WS0107082796 Kiev INTELNEWS in English 0356 GMT 29 Jun 96

[Reported by Halia Pavliva]

[FBIS Transcribed Text] Kiev, June 28. President Leonid Kuchma has established an agency to prevent bankruptcy among enterprises and organizations. The agency is a body of the executive power subordinate to the Cabinet of Ministers.

During the second half of July the Cabinet of Ministers is expected to establish the regulations of the agency and determine where its central office will be located.

The agency will receive financing from budget allocations designated for executive power bodies.

Its top priorities are:

— implementation of measures preventing bankruptcy;
— financial analysis of state-run organizations targeting the determination of insolvent ones;
— the establishment and maintenance of the list of insolvent state-owned organizations;
— management of the property of organizations included in the list;
— examination of financial programs of enlisted organizations.

The reorganization and recovery of insolvent enterprises and organizations will be managed by the agency.

Ukraine: Government Session on Wages Detailed

WS0207093296 Kiev UKRINFORM in English 0626 GMT 2 Jul 96

[From the "Current Events" feature]

[FBIS Transcribed Text] According to the Cabinet's press service, First Vice-Premier Vasyl Durdynets summoned a week-end government session in Kiev, which was attended by vice-premiers, ministers, department heads, a number of regional administrations' top officers and Cabinet apparatchiks. The meeting's agenda was the overall situation in the government's effort to repay the tremendous wage, pension and stipend debt, in compliance with the Ukrainian President's decree dated May 12, 1996. The session heard and discussed accounts and reports by vice-premiers V. Yevtukhov, A. Kinakh, education minister M. Zhurovskyy, coal-mining minister S. Polyakov, minister for engineering, MIC [Military Industrial Complex] and conversion V. Maleyev, deputy regional administration chiefs M. Volkov (Donetsk region), A. Flissak (Ternopil region), V. Tretyakov (Kherson region).

As the session had to end, the week which elapsed, failed to witness any discernible positive signs in the wage indebtedness situation in Ukraine, though in the Volyn and Mykolayiv regions succeeded in slightly diminishing their aggregate wage/pension/stipend debts. In some other regions, such as the Vinnytsya, Zhytomyr, Kiev and Ternopil regions, the indebtedness ceased growing. The Ivano-Frankivsk, Kherson, Chernivtsi, Chernihiv and some other regions were stated as failing to improve the situation. As it was noted at the session, the government's steps provide a good enough base to proceed upon in local authorities' efforts to rectify the non-payment situation. Additional steps have been taken in particular to cut down budgetary expenditures and discontinue financing of those expenses, which are of minor significance. As the first-premier said, the government means to tighten its control over budgetary expenditures, as well as over extraneous sources of financing.

According to Mr. Durdynets, all these efforts are meant to overcome the non-payment crisis, first, and spur the nation's production. Other steps provide for implementing mechanisms to improve cost-efficiency and certain austerity measures. In addition to these, the government is intent on reducing on scope of application of barter deals and operations. A reliable system for coordinated efforts by custom, taxation offices, law enforcement bodies and banking institutions is in the process of making with a view of tightening the State's control over incomes earned and taxes paid by both natural persons and corporate bodies Ukraine-wide. The first vice-premier also pledged the government's resolute action to bar smuggling from Ukraine and impose the State's monopoly in production and marketing of alcohol and tobacco.

The Ukrainian government was reported to have sent its fact- finding missions to all of Ukraine's administrative regions, which will work there until wage/social bonus debts have been fully repaid. The finance, industry and education ministries were given detailed and specific instructions and vice-premier I. Kuras was put in charge of coordinating their efforts to scrutinize the situation and pinpoint clues to its radical improvement. Vice-premier Kinakh was ordered to do a similar job in the interests of the engineering, MIC and conversion ministry, and submit his proposals to the government. Other practical steps toward resolving the non-payment crisis and increase budgetary revenues were discussed by the attendants.

Ukraine: Ministry Releases Jan-May '96 Foreign Trade Figures

WS0207084496 Kiev INTELNEWS in English 0149 GMT 2 Jul 96

[FBIS Transcribed Text] Kiev, July 1 — Ukraine's foreign trade totaled about $10.8 billion from January through May, Foreign Trade Ministry officials announced Monday [1 July]. Exports totaled about $5.5 billion, while imports totaled $5.3 billion.

State Customs Committee statistics for the same period reported foreign trade totaling $8.7 billion, an increase of 24.6 percent compared with the same period 1995.

Volume of foreign trade with CIS and Baltic countries exceeded 1995 figures by 32.1 percent and equaled $6.1 billion, while exports rose by 38.1 percent to $3 billion and imports went up 26.6 percent to $3 billion. Trade with other foreign countries increased by 15.5 percent and totaled $4.6 billion, including growth of exports by 9.8 percent to $2.5 billion and growth of imports by 22.6 percent to $3 billion.

Most of Ukraine's exports, about 20.8 percent, went to Europe, and Asia received 17.6 percent.

As far as Ukraine's imports: 17.1 percent came from Germany; 9.5 percent came from Poland; 7.1 percent came from the United States; 5.9 percent came from Italy.

The amount of barter deals in foreign trade decreased from 35.3 percent during January-May down to 23.3 percent in June.

Ukraine: Nuclear Power Industry Needs Fuel Desperately

MK0207094996 Moscow SEGODNYA in Russian 1 Jul 96 p 9

[Report by Zakhar Butyrskiy: "Ukrainian Nuclear Power Plants Will Sell Power At a Discount Price"]

[FBIS Translated Text] The Ukrainian Government has made a remarkable decision: Nuclear power plants have been allowed to sell power to those paying for it immediately at prices somewhat lower than the rates established by the Government. This seems to be the only means to overcome a nonpayment crisis that has brought Ukrainian nuclear power engineering to a near halt.

A few days ago, Vitaliy Tolstonogov, chief engineer of the Chernobyl Nuclear Power Plant, said that because of the lack of funds to purchase Russian fuel, the plant had reduced its production capacity approximately by half: Under the usual work load, this would have exhausted the remaining fuel cells within 4-6 weeks. According to Mr. Tolstonogov, electric power consumers are paying almost nothing for it and, as a result, the station is unable to build up reserves of fuel. As of today, consumers owe to the Chernobyl Nuclear Power Plant $50 million, whereas the total debt to the nuclear power plants has exceeded $700 million.

Official Kiev has once declared that the lack of fuel can lead to the closure of the Chernobyl Nuclear Power Plant, which produces 5 percent of Ukrainian electric energy. At that time, however, this had to do with the poor fulfillment by Russia of its obligation to supply fuel as compensation for the nuclear armaments that had been taken out of Ukraine. Later, Russia continued to supply fuel, thanks to which the Chernobyl Nuclear Power Plant is currently working. Now, however, Ukraine is discontent with the low quality of the fuel supplied by Russia. Yuriy Kostenko, Ukrainian minister of ecology and nuclear safety, has said that the price of Russian fuel is only slightly below the world prices whereas its quality is significantly inferior to the quality of the fuel produced in the West. In his opinion, Russia's monopoly in this area is giving rise to numerous problems in Ukraine.

Ukraine: Economist Compares Inflation, Monetary Policy

AU0107130696 Kiev URYADOVYY KURYER in Ukrainian 25 Jun 96 p 7

[Article by Professor Anatoliy Halchynskyy, senior research associate at the Ukrainian National Academy of Sciences SEMV Institute: "Aspects of Anti-inflation Policy"]

[FBIS Translated Text] As the policy of economic growth is being implemented and stabilization processes in the social sphere are promoted on this basis, which is considered to be a priority in 1996, we cannot afford to neglect the anti-inflation policy. Our experience in this respect is bitter enough, and we are well aware of what it can mean for the entire economy. That is why what has been achieved in this regard must not just be carefully preserved, but multiplied.

The results of the last four years have clearly shown that any attempts to boost production while at the same time easing the struggle against inflation do not and cannot succeed. In periods of inflation, all financial resources flow into circulation, but the essence of the problem that has emerged over recent months lies somewhere else. The economic situation, in which price dynamics have acquired a controlled character (this is one of the most significant achievements of our recent economic transformations), has created the conditions for applying fundamentally new mechanisms for monetary-financial stabilization and the transition from an excessively astringent [zhorstkyy] to a liberally balanced anti-inflation policy.

I will try to explain this issue in more detail, because contradictions have arisen precisely in interpreting it. Let us recall that, last year, the inflation rate was 282 percent. It was much lower than in 1994 when it exceeded 500 percent (in 1993 — 10,256 percent). The 282 percent annual rate of inflation is still an excessively high and destabilizing factor economically. Incidentally, it is 1.3 times the rate predicted for 1995. In this connection, the priority of the task of concentrating economic policy on curbing inflation and reducing the average monthly rate to at least 1.5-2 percent, which would create conditions for investment and stable economic growth, is beyond dispute.

Even 2-percent average monthly inflation, however, is not a criterion of transition from an extremely astringent to a liberally balanced anti-inflation policy. Even with inflation at 2 percent, it is possible to conduct a strict monetary policy in an attempt to reduce inflation to 3-5 percent a year, as is currently the case in Western countries. For example, in 1994 and 1995, GDP in Bulgaria, Hungary, Poland, Romania, the Czech Republic, and Slovakia increased. Poland, where inflation stabilized over those years at 132-130 percent a year, had the highest growth indexes (5-6 percent GDP and 8-12 percent industrial output). Inflation in the rest of the countries listed above was also close to that level.

What then is the criterion for changing the economic model of the anti-inflation policy? It is the so-called boundary, or threshold of astringency [zhorstokist] of monetary policy. This threshold has no fixed definition. It varies in accordance with the factors that influence inflation, but are not directly associated with the emission process. It involves the increase of import prices, the deficit in the balance of payments and budget, and other factors that create an objective threshold for the strict monetary policy, disregard for which does not pass unnoticed. Every case of monetary restriction that exceeds the level of strictness is accompanied by an exacerbation of the payments crisis, and failure to pay social subsidies and wages. The economy is thus pushed to a lower level of development. This means that if such a situation arises, it is only possible to continue to implement the deflation policy on the basis of a package of measures that ensure a steady easing of the strictness. This, in fact, determines the need to proceed from an excessively astringent to a liberally balanced anti-inflation policy.

This is understandable. If, for example, prices of communal services are raised administratively, no matter how tightly the emission tap is closed, the overall price index will go up. It is impossible to stop economic life through the emission process. There are limits to what is reasonable, in other words, a socially acceptable price of monetary restriction. This also applies to the relationship between inflation and the budget deficit. It has been proven empirically that it is possible to achieve a 2-percent average monthly rate of inflation, while disregarding all other factors, only if there is a 2-percent budget deficit covered by National Bank credits.

In view of this, it becomes obvious that the goal of achieving 2-percent monthly inflation by the end of 1995, with the proposed budget deficit of 7 percent of GNP (in fact, with an allowance for the budget capital, which is not financed, the deficit potential is much higher) was essentially destructive. That inflation was two or three times higher than the strictness threshold. Such monetary policy turned out to be too tough for the economy, which has just started showing signs of stabilization.

Taking into account precisely these circumstances, a proposal was made in June 1995 to amend the forecast macroeconomic indexes, in particular the level of inflation by the end of the year to between 4 and 6 percent and, accordingly, raise the credit emission ceiling. As Ukrainian President Kuchma said in a speech in Uzhhorod, he was in favor of the proposal. However, as already pointed out, Ukraine's National Bank, supported by individual statesmen, ignored this crucially important position.

Moreover, last year's monetary policy turned out to be even tougher than the forecast assessments established by the memorandum, coordinated between the Government, National Bank, and IMF. Last year, Ukraine's National Bank largely maintained the emission parameters established by the memorandum. However, those parameters were based upon estimates according to which the annual inflation rate would be 238 percent. In fact, it was 1.3 times higher. The amount of money being printed should have been reduced. That was not done, however. In 1995, the money in circulation increased 2.13 times, when the rate of inflation amounted to 2.82 times [raza]. As was to be expected, this led to a further decrease in the rate of inflation: In April 1996, it was 2.4 percent. However, the cost of this reduction was too high. I mean this year's sharp exacerbation of the payments crisis and the unexpected decline in production. Had the monetary policy been more balanced, this decline could have been avoided.

According to the CENTRAL EUROPE ECONOMIC REVIEW of January 1996, Ukraine scored just 1.1 points (on a 10-point scale) for the economic growth index. This is the lowest rating among the 26 countries with transitional economies. Poland scored the most with 8.8 points, and Slovenia, Slovakia, Estonia, and the Czech Republic between 7.6 and 7.3 points. In terms of the level of output, these countries are approaching the 1989-90 pre-crisis period.

Finally, one more issue. When we were drafting the new anti-inflation policy strategy, we realized that it could be a long time before Ukraine — as well as many other postcommunist countries, incidentally —

achieves a minimum level of inflation, not higher than between 3 and 5 percent a year. In our country inflation is structural in nature, and a complex package of measures is needed to overcome it. It is a long process. Consequently, as we intensify the transformation of the economy toward the market, we do not just have to combat inflation (this is undeniable), but also to develop a mechanism for adapting to it. I mean there should be the corresponding flexibility in social policy and the taxation system, and protection from depreciation of fixed assets, depreciation charges, the population's rational expectations, and so on. We have already learned much. It is, however, necessary to seek further good decisions to alleviate inflation-related hardships.

Belarus

Belarus: Lukashenka Aide on NATO Expansion

WS0107131196 Minsk VO SLAVU RODINY in Russian 28 Jun 96 p 1

[Interview with Syarhey Posakhaw, adviser to Belarus President Lukashenka, by Lieutenant Mikalay Lyavchuk; place and date not given: "We Are Concerned About NATO's Eastward Expansion"]

[FBIS Translated Text] Syarhey Posakhaw, adviser to President Alyaksandr Lukashenka, has recently actively taken part in international seminars and conferences, spelling out the position of Belarus regarding its participation in the European collective security system. In this respect, the problem of NATO's eastward expansion is becoming particularly pressing for our Republic. The presence of Belarusian observers at the international exercises "Peace Shield-96" held this June on the training ground in Yavoriv, Ukraine's Lvov Oblast, raised once again the issue of our relations with the North Atlantic alliance, which was directly involved in the exercises. Syarhey Posakhaw deliberates on NATO's eastward expansion.

[Lyavchuk] How do you assess the balance of forces between the West and East regarding NATO from the current point of view of Belarusian national security?

[Posakhaw] There are a number of consultations, seminars, and talks being conducted now to forge a new collective security system in Central and East Europe. Although Russia does not participate in those events directly, its presence can be felt very well.

Belarus is also thinking about its national security, and not only from the standpoint of immediate advantages, but also in the context of history. After all, it is right now that a system of European and international security is being laid down.

In this connection, two tendencies have evolved regarding Belarus. The first tendency is connected with the fact that small countries, Belarus among them, can only ensure their own security thanks to guarantees given by superpowers. The second is that it is not enough just to declare neutrality — neutrality must be supported and sustained.

We perfectly understand that if Belarus, being situated in the center of Europe and under the shadow of giants, fails to obtain guarantees from big countries, it will find itself in the situation of the pre-war Poland, which at first served as a buffer state and then became a battlefield. Considering the historical factor and the current international situation, one can positively state that an eastward expansion of NATO is aimed at ensuring "security from Russia" — this despite the fact that the latter is a Council of Europe member. One French general spoke out pretty frankly on this issue: "Europe should not be against Russia, but it should be built without it."

[Lyavchuk] Our closest neighbors, Poland and Lithuania, are openly seeking to join NATO. What does this mean for Belarus?

[Posakhaw] Recently I took part in a conference in Warsaw and Polish officials told me: "Our orientation toward NATO is not a military choice, it is a pro-civilization choice." One thing remains unclear, though: why should a pro-civilization choice be made as part of a military-political organization?

Bismarck used to say that generals have their own logic, and if they agree with civilian politicians, they do it only to a certain extent. In this context, expansion of a military organization and, hypothetically, armed forces in the eastward direction is alarming. For Belarus, it does not matter where a standoff line dividing the giant military machines will run, along the Vitsebsk-Orsha or Hrodna-Brest lines, because Belarus then would still become a hostage of the opposing forces, which Belarus cannot influence on its own. This is another fact proving that only Russia can become a guarantor of our national security, and we are striving for a union with that country.

[Lyavchuk] But Belarus participates in the European collective security program....

[Posakhaw] Although distinctly oriented toward Russia, Belarusian foreign policy is aimed in many directions. For example, our participation in the Partnership for Peace Program is an important European collective security instrument which allows us to have our say in the process of West European military-political cooperation....

Also alarming is a possibility of nuclear weapons being deployed in some East European countries, if they are admitted to NATO. Polish politicians openly say that this would help them avoid the role of a second-rate member of the North Atlantic alliance. Just imagine what is happening: Belarus has declared itself a nuclear-free zone, and after that our neighbors make this kind of declaration!

[Lyavchuk] But the press recently published reports about 18 Russian nuclear missiles that remain on Belarusian territory. Could you explain that?

[Posakhaw] This is another example of bluffing. Those missiles are not part of the combat readiness system, and their practical use is out of the question. The only reason why they are still on our territory is that the Russian side must pay us for them. As good school students, we have made good on all of our nuclear commitments, emerging in fact as losers. On the other hand, Ukraine, which violated such obligations, is reaping profits from this.

[Lyavchuk] Judging by the present situation, a military standoff again threatens the world?

[Posakhaw] If NATO continues to expand eastward so actively, Russia will have to create a new military bloc.

[Lyavchuk] With whom, except for Slavic countries?

[Posakhaw] With China, for example. Then another standoff will appear, indeed. Moreover, Russia alone would "outbalance" everyone thanks to nuclear weapons.

Opinions on NATO eastward expansion are very mixed. Ukraine, for example, adheres to the position of nonalliance. In the West, too, there are certain forces standing up against NATO's plans about the East. However, a blunt campaign is being conducted to defame them. Nevertheless, one of the provisions of the NATO Treaty says that this organization admits only the countries that have no conflicts with their neighbors. It is clear that the planned reinforcement of NATO will put on the bloc's agenda the conflicts and territorial claims that presently exist in Europe.

[Lyavchuk] Given all the controvery and disagreements, a prospect of four countries, Poland, Hungary, the Czech Republic, and Slovakia, joining the North Atlantic alliance is very realistic. What advantages would Belarus have if it was admitted to NATO?

[Posakhaw] It is impossible to imagine such a prospect even hypothetically, because in this case we would run into a direct confrontation with Russia, which would be suicide for us. Frankly, we would be in for a "Yugoslav option." No one should have any illusions that the West cannot wait to hug us. Besides, our people are against such a choice. People in Ukraine also understand that, although their frenzied forces are as active as ours.

So, NATO's eastward expansion would have a historic significance for our country. For all its power, even Russia is not in a position to cardinally influence this process. What we can do now is explain our position and coordinate it with the other two of our fraternal Slavic states, pursuing at the same time an active foreign policy regarding other European states.

Belarus: Germany Agrees To Aid in 'Liquidating Nuclear Weapons'

WS0207083996 Minsk BELAPAN in English 0840 GMT 2 Jul 96

[FBIS Transcribed Text] Minsk, July 1 — As a BELAPAN correspondent was informed at the Belarusian Ministry of Foreign Affairs, two Belarusian-German interstate agreements — on cooperation in the solution of problems related to liquidating nuclear weapons and on the provision of care for servicemen's graves — have been signed in Bonn. On behalf of the Belarusian party, the agreements were signed by Belarusian ambassador to Germany Pyotr Belyayew.

During the talks following the signing ceremony, the parties defined their relations as fruitful and spoke in favor of the further expansion of economic relations.

Belarus: Supreme Soviet Revives Soviet-Era Flag, Symbols

MM0207091796 Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Jul 96 p 3

["Own information" report: "Republic of Belarus Gradually Turning Into Belorussian SSR"]

[FBIS Translated Text] The Belarusian Supreme Soviet has revived the state symbols of the days of the Belorussian SSR [Soviet Socialist Republic] — the red and green flag with a white design and the emblem in the shape of the outline of the republic framed by ears of grain. At the same time parliament has abolished the former state symbols — the white, red, and white flag (three horizontal stripes) and the emblem ""Pursuit" (a rider on horseback, sword in hand), which have operated since 1991. The Supreme Soviet adopted this decision in accordance with the results of a referendum held more than a year ago. The question of approving new state symbols was put. At that time about 80 percent of the citizens who took part in the referendum came out in favor of adopting the country's new state symbols. Maybe the new symbols will help the republic's inhabitants to improve their living standard and boost the country's prosperity in general. But for the moment, the money will go on changing the symbols.

Belarus: Lukashenka Specifies New Hard Currency Policy

WS0207111896 Minsk BTK Television Network in Belarusian 1700 GMT 30 Jun 96

[Statement by Belarusian President Alyaksandr Lukashenka to unidentified journalists in Minsk, date not given; on the "Rezanans" program; in Russian — recorded]

[FBIS Translated Text] Proposals have been recently voiced to the effect that we should immediately carry out expeditious devaluation of the national currency and make the exchange rate 17,000-22,000 rubles [BR] to the dollar. I would like to tell you that our state absolutely does not need this step.

There are people who have already bought dollars for BR15,000-17,000. However, this does not mean that we should fix the exchange rate at BR20,000 to let those people net high profits. I did express a warning some time ago. I said that people should not hunt for every dollar and buy out greenbacks at skyrocketing prices the minute they see them. The change in the dollar rate will not meet the expectations of profiteers.

As of 1 July, the National Bank will determine the exchange rate on the basis of three principal factors: supply and demand on the domestic currency market; the Republic's trade balance; and — the most important indicator — on the basis of the inflation rate. In essence, in the second half of 1996 we will peg the exchange rate of the national currency to the inflation rate in our state.

You probably remember how bankers used to ask a couple of years ago: devaluate the national currency by 50 or 80 percent depending on the inflation rate. I currently offer a devaluation by more than 100 percent, however this does not meet with understanding among our bankers and exporters. I would like to underscore the following: I have no right to support individual companies at the expense of the entire nation's pauperization. Yes, the situation is dramatic and complex. However, one cannot ignore the visible signs of stabilization.

Therefore, I have instructed the National Bank, the government, and all the state structures involved in the resolution of financial problems to undertake economic measures which would guarantee that the exchange rate of the Belarusian ruble in the period up to 31 December 1996 will not exceed BR15,500 to the U.S. dollar. Thus, the ceiling of 15,000 has been fixed for the increase of the dollar exchange rate and the devaluation of our national currency in the second half of the year.

To resolve this task, aimed at the protection of the entire population, a presidential edict has been issued which instructs the National Bank to implement a procedure, in accordance with which prepays of contracts for importing commodities and services which exceed $100,000 shall be made solely if appropriate guarantees are provided by banks that service suppliers or sellers of those commodities and services. This is a multipurpose measure. On the one hand, it is aimed at protecting the interests of all importers, not just those importers whose interests coincide with the interests of the state and the entire nation. It will hamper the unjustified growth of debts incurred by our economic entities and will put an end to the situation in which in essence prepays were credits issued by Belarus to foreign states. We cannot afford this in light of the current economic situation.

On the other hand, this measure is aimed against all kinds of machinations on the part of certain Belarusian importers engaged in signing sham contracts for importing commodities and services. Such cases have been detected frequently. Prepays are used to transfer hard currency abroad for profit.

Second, the National Bank has been instructed to create an efficient system of international settlements through the National Bank's clearing center.

Third, the National Bank has been instructed to undertake measures aimed at increasing the foreign currency reserves. The National Bank also has been asked to rescind its resolution which banned the issuance of hard currency credits.

I would like to underscore once again that many managers of enterprises which produce export commodities will be dissatisfied with the financial stabilization program declared by me. Therefore, I would like to reiterate that our exporters should not forget that they are also the Republic's biggest importers. Individual enterprises must not operate at the expense of the entire nation. Therefore, we are introducing very rigid financial restrictions for the second half of 1996.

*Belarus: Lagging State of Privatization Described

964F2518A Moscow EKONOMIKA I ZHIZN in Russian May 96 No 21, p 6

[Article by V. Teperman, lead scientific associate at International Economics and Politics Institute, Russian Academy of Sciences, and N. Ushakova, lead scientific associate at Foreign Economic Research Institute, Russian Academy of Sciences: "The Leisurely Pace of Belarusian Reform"]

[FBIS Translated Text] For many objective and subjective reasons, Belarus chose to enter the market sequentially and to reform property relations gradually. Property reform was announced in the republic in 1991, but it actually began after the Law "On the Denationalization and Privatization of State Property" was passed on 19 January 1993.

According to this law, 50 percent of the state property slated for privatization would be turned over to the population for vouchers, and the other 50 percent would be sold to private or collective investors, including foreigners, or bought by the workers. Payment was supposed to be made in cash, either in a lump sum or in installments, with all amounts adjusted for inflation.

The members of labor collectives here, just as in other CIS countries, were granted numerous privileges. They were offered a 20-percent discount on shares of stock requiring payment in cash. If the buyer was a legal entity formed by the labor collective, it would be granted a payment deferment of one year. The administration was entitled to buy 5 percent of the stock, also at a discount of 20 percent.

According to the State Privatization Program, two-thirds of the fixed assets of the enterprises were to be transferred to the non-state sector by 2000. The reform was supposed to extend to 10 percent of the state property slated for privatization in 1993, and 20 percent in 1994. Light industry, the food industry, woodworking, construction, and the service sector were scheduled for denationalization first. Enterprises of the defense industry, the natural monopolies, enterprises specializing in the processing of precious metals and stones and the production of ethanol, and some others were not slated for privatization. Strategic facilities would be privatized only with the consent of the Council of Ministers, and the privatization of agricultural monopolies would require the consent of the Anti-Monopoly Committee.

The process of property reform presupposed denationalization rather than privatization in the full sense of the term. By the end of 1993 no more than 2 percent of all republic property slated for privatization had been transferred to private owners. Most of the large enterprises were converted into joint-stock companies with considerable or predominant state participation. Judging by the privatization of petroleum refining, which began at the end of 1995, the state is still trying to keep the controlling blocks of stock in enterprises in the leading branches of industry.

Number of Reformed Enterprises in Different Branches of Production

Branches	1991	1992	1993	1st quarter, 94
Total	61	211	252	146
republic	19	32	140	48
municipal	42	179	112	98
Industry	24	31	69	21
republic	13	19	68	18
municipal	11	12	1	3
Construction	7	13	31	10
republic	5	8	28	8
municipal	2	5	3	2
Transportation	—	—	9	3
republic	—	—	9	3
municipal	—	—	—	—
Services	5	92	28	19
republic	—	5	1	3
municipal	5	87	27	16
Trade and public catering	21	55	45	57
republic	—	—	1	—
municipal	21	55	44	57
Other	4	20	70	36
republic	1	—	33	16
municipal	3	20	37	20

The process of privatization reached its peak in the middle of 1994. Later, however, the process slowed down considerably after the change of government in the republic, so that the program for that year was fulfilled by only 40 percent. In 1995 the rate dropped even more dramatically: The program for the privatization of enterprises of republic jurisdiction was fulfilled by only 10 percent.

The decline was largely due to problems in check privatization, which began in Belarus in April 1994 and is still going on. The population gets checks of two types—standard "Housing" checks, to be used to pay for living space slated for privatization, and personal "Property" checks (IPCh's), intended primarily for purchases of stock in enterprises slated for privatization. Each citizen who was born prior to 1 August 1993 is entitled to a certain number of IPCh's depending on his age and labor record, and also on funds deposited in a Savings Bank account prior to 1991. Additional checks are issued to war veterans and victims of repression.

At the start each check had a value of 25,000 Belarusian rubles. The IPCh's could be invested in joint-stock companies and special investment funds (SIF's) and could also be exchanged for "Housing" checks for participation in cooperative construction projects. Purchases and sales of IPCh's were conducted at face value by means of cashless transfers from one account to another. The term of validity of the privatization checks was set at five years.

Today around 74 percent of the republic's inhabitants who are entitled to privatization checks have requested them, and only 45 percent have received them. Meanwhile, inflation has reduced the value of the IPCh to less than one-twentieth of the initial value. The SIF's buy the checks with a face value of 3.5 dollars for 15 cents.

Branches of the Savings Bank began selling stock in enterprises slated for privatization for IPCh's on 1 July 1994. Shares of stock which were not distributed through branches of the Savings Bank were supposed to be sold on the Belarusian stock market for money, privatization checks, and property. Of the 324 million checks issued to the population, 43 million—representing the highest percentage—were used to pay for stocks and shares intended for members of labor collectives; citizens used 26 million checks to buy stock in joint-stock companies and to invest in SIF's. Over 100 enterprises categorized as republic and municipal property have been sold at check auctions.

Distribution of Employed Population in Economic Sectors in 1995, percentages

Sectors	Belarus	CIS
State enterprises and organizations	64.1	48.5
Private sector	32.6	35.7
Public organizations and funds	0.8	0.5
Joint ventures	0.5	0.5
Enterprises with mixed forms of ownership and others	2.0	14.8

The apathetic participation by citizens in check privatization is a result of the limited appeal of the privatized facilities, the low real value of the IPCh's, and the imprudent actions of government agencies, which are spending much more time on a feverish struggle against corruption than on the daily work of property reform.

The activities of all of the investment funds that had accumulated "Property" checks were suspended last April, and a governmental commission began auditing the SIF's in the middle of 1995. Serious errors were discovered in the work of the funds. As a result, their number had dropped from 38 to 22 by spring 1996. Only three check auctions were held with the participation of SIF's.

Potential stockholders have also been discouraged by the state's increasingly obvious economic intervention, which has put the future of the denationalization process in question. In particular, in April the president decided to nationalize the Minsk Interbank Currency Exchange, 90 percent of the stock in which is owned by commercial banks, and to turn it into a government institution. Before this the president had announced that six of the largest commercial banks in the republic would be nationalized.

The measures to strengthen government regulation also had an adverse effect on the activity of foreign investors, although Belarusian laws envisage the possibility of participation in privatization by foreign capital. The "Statute on Participation by Foreign Investors in Competitive Bidding and Auctions for the Sale of State Property in the Republic of Belarus" went into force at the end of 1994 and allowed foreign physical persons and legal entities, international organizations, and citizens of Belarus living abroad to participate in these. The only requirements were a security deposit and a financial status report from a bank, as well as proof of registration in the trade directory of the country of origin. Nevertheless, Russian investors have shown the greatest interest in acquiring stock in Belarusian enterprises (mainly facilities of the fuel and energy complex and chemical industry). Western firms, with only rare exceptions, have refrained from participating in this process.

According to official statistics, only 13.2 percent of the 3,716 enterprises and organizations categorized as republic property had been privatized by the middle of 1995, and 6.8 percent had been privatized by means of stock issues. The figures for the privatization of municipal property were slightly higher—18.5 percent and 2.3 percent respectively, but they were also far below the projected level. In terms of the non-state sector's share of the GDP—15 percent—Belarus ranked lowest in the CIS along with Tajikistan in 1995, whereas the indicator for the other republics ranged from 25 to 65 percent. The percentage of people working for enterprises and organizations in the state sector in Belarus is the same as the average for the CIS (see graph [not reproduced; information presented in tabular form].

The privatization program for 1996 includes 500 republic enterprises and over 1,000 municipal enterprises, which should bring the private sector's share of the GDP up to 20 percent. Not one auction for republic enterprises was held, however, from January to May. It is quite probable that this year's program will suffer the same fate as last year's.

This report was compiled with the assistance of the Russian Humanitarian Science Fund as part of the project "Economic Reform in the Republics of the Former USSR: Common Trends and Distinctive Features."

Moldova

Moldova: Creanga-Snegur Standoff Heats Up Again

MK0207065896 Moscow NEZAVISIMAYA GAZETA in Russian 1 Jul 96 p 3

[Report by Natalya Prikhodko: "Minister Defends Himself Again"]

[FBIS Translated Text] Addressing a conference of Defense Ministry leadership, Moldova's Defense Minister, Major General [divizionnyy general] Pavel Creanga, promised to call to arms a company to defend his own department should President Mircea Snegur take steps to remove him from the position. Talking with your NEZAVISIMAYA GAZETA correspondent, Mr. Creanga denied a report about his readiness for such drastic measures but at the same time confirmed that he would henceforth carry out only lawful, constitutional orders from the commander in chief. He cannot, for example, count among such one of the latest orders, prohibiting the minister from calling meetings at the Defense Ministry and disseminating information unless it has been coordinated with the presidential staff. This and similar orders, in the words of the minister, "are aimed at limiting his powers in all possible ways....and cannot be regarded as normal."

Thus, it is obvious that the major general no longer wishes to knuckle under the circumstances as it, for example, happened this past 15 March, when the president removed him from office by his edict. But later, as NEZAVISIMAYA GAZETA has already written, the republic's Constitutional Court declared the president's edict unconstitutional and correspondingly demanded that Pavel Creanga be reinstated in his former position, however, the president promised, after the status quo had been restored, that should parliament fail to replace Pavel Creanga, he, as commander in chief, would assume command of the army. Thus, the situation surrounding the Defense Ministry has once again become heated.

Grigoriy Bratunov, chairman of the parliamentary state security and law enforcement commission, has announced that parliament will soon go back to discussing this question. Following the necessary consultations in parliamentary factions, the prime minister will also come out with his proposals, but, as Bratunov himself believes, is not a good idea to replace the defense minister on the eve of the 17 November presidential election. The newly elected president will form a new government team anyway. All sorts of perturbations among the defense ministry leadership today can only contribute to destabilization in the armed forces, Grigoriy Bratunov concluded.

For the time being all is quiet in the Republic of Moldova Armed Forces, Defense Minister Pavel Creanga confirmed. He is hopeful that it will be possible after all to avoid army involvement in the political standoff on the eve of the election.

Moldova: Yeltsin 'Too Busy' To Sign Dniester Memorandum Before Poll

AU0207105396 Chisinau INFOTAG in English 2020 GMT 1 Jul 96

[FBIS Transcribed Text] Chisinau, July 1 (INFOTAG) — The Memorandum on normalization of Moldovan-Dniester relations will be signed after July 3, when the Russian presidential election is over, INFOTAG was told by Victor Josu, Adviser to President Snegur.

Accordingly, the Chisinau and Tiraspol teams canceled their trip to Moscow at the last moment, as also did the Ukrainian President Leonid Kuchma and OSCE representatives, who mediate at the Dniester conflict negotiations.

Last week, the Russian First Deputy Foreign Minister Boris Pastukhov and the aide to the Russian President, Dmitry Rurikov, were on a visit to Moldova. With their active and very persistent mediation, the Moldovan and Dniester authorities have finally agreed upon the memorandum text. On the insistence of the Russian side, the document was supposed to be signed exactly before the July 3 voting, however, during the past weekend Moscow changed its stance, and the signing has been put off. Russians explained: there is too little time left before the crucial voting day, and President Yeltsin is too busy now.

The sides will resume scheduling the Memorandum signing immediately after the elections.

The Memorandum signing date will be clarified later on, upon agreement of all sides involved, INFOTAG was told by Yelena Yefimova, press secretary of the Dniester president and government.

She confirmed that early in the morning today the official Dniester delegation was ready to leave for Moscow to be there by 12.00, when the signing ceremony was supposed to take place in the presence of the Russian and Ukrainian Presidents and OSCE representatives, however, the signing was postponed at the last moment on request of the Russian side which itself urged to sign the Memorandum before the elections.

The request was brought to President Smirnov by the Russian Ambassador to Moldova, Aleksandr Papkin, who arrived in Tiraspol early in the morning today specially for that purpose, and had a meeting with the Dniester president behind closed doors, with no details available, Yefimova said.

Moldova: Leaflets Supporting Zyuganov Appear in Tiraspol

AU0207105096 Chisinau BASAPRESS in English 2030 GMT 1 Jul 96

[FBIS Transcribed Text] Tiraspol, 01/07/1996 (BASApress) — During the last day in Tiraspol there have appeared loose leaves supporting the Russian Communists' leader Ghenady Zyuganov.

BASA reported from Tiraspol that the loose leaves were attached in the most crowded public places and on the doors of certain apartments. The leaves represent in vivid colors Zyuganov's portrait, next to the black-and-white portrait of the current president Boris Yeltsin, carrying the inscription "Zyuganov - yes, Yeltsin - no". The loose leaves are anonymous.

Only the Dniester Patriotic Forces' Bloc, headed by Prof. Vasily Yakovlev, ideologue of the Dniester separatism, stated several months ago he supported Zyuganov in the elections, without unfolding mass propaganda actions.

After the first round of Russian elections, Gen. Aleksandr Lebed accrued 45 percent of the Moldova-resident Russian citizens's votes, Gennadiy Zyuganov 36 percent, and Boris Yeltsin 11 percent. Some 18,000 persons participated in the elections, which is approximately 60 percent of the total number of Moldova-resident Russian citizens.

Kazakhstan

Kazakhstan: Nazarbayev Addresses Closing Session of Parliament

LD2806212796 Moscow INTERFAX in English 1706 GMT 28 Jun 96

[From the "Presidential Bulletin" feature]

[FBIS Transcribed Text] The parliament of Kazakhstan has managed to ensure a stable balance of force between the executive and legislative bodies of power, President Nazarbayev told the joint meeting of both houses of parliament closing the first session.

This parliament was elected last December and took office on January 30 1996.

Nazarbayev said that the law-makers had demonstrated political maturity by voting for confidence in the government. (The Cabinet put the question of confidence to the vote after the lower house dismissed the law on amendments to the pension law.)

The Kazakh parliament has passed a number of important documents, President Nazarbayev said. Among others he pointed to the law on public associations, on non-state pension funds, on the control of military exports and of dual use products.

President Nazarbayev said that he was going to draft by the next session of parliament opening in September a special message on Kazakhstan's tasks extending until the year 2000.

He said that in the first place laws must be passed to support economic reforms, as well as amendments to the Civil Code, the Labor Code, the Family Code and a number of others.

Nazarbayev noted in particular the need for a special law on internal security.

The speaker of the lower house of parliament Marat Ospanov said that in the first six months the new parliament had been in operation it received 42 bills. Forty of them had been examined, 37 approved by the lower house and 22 submitted to the president for signature.

The upper house of parliament on Friday voted to elect Maksut Narikbayev as chairman of Kazakhstan's Supreme Court. Narikbayev, recommended by the president was Kazakhstan's Prosecutor General.

Under the constitution the Supreme Court chairman is elected by the upper house at the president's request.

Forty one senators voted for Narikbayev, two against and two abstained.

As he explained his choice, President Nazarbayev said that Narikbayev was a career lawyer who had worked in the law-enforcement for 23 years. For seven years he was a judge and in the past few years, Deputy Chairman of the Supreme Court and then Prosecutor-General.

Mikhail Malakhov, who held that post earlier, was dismissed for abusing ethics and morality. The Prosecutor-General's office had launched a criminal case against him on charges of bribe-taking.

As he answered senators' questions, Narikbayev said that the bribe case had been closed as there was insufficient evidence. Malakhov has now left Kazakhstan.

Kazakhstan: Nazarbayev Gives Regional Heads New Tasks

LD2906145096 Almaty DELOVAYA NEDELYA in Russian 28 Jun 96 p 1

[Unattributed report: "The Sum Total of the New Thinking"]

[FBIS Translated Text] The meeting of administration heads which took place in the old capital [Almaty], which was attended by about 3,000 leaders of various levels of the executive power and which, according to various sources, cost between $1.5 and $2.5 million, was a sort of imitation of the party congresses of the recent past with, of course, some amendments and addenda to the traditions and procedure.

Preparations for the meeting took place amidst contradictory rumors: a radical review of the administrative and territorial division of the country, mass blood letting among personnel, and other horrifying things were expected. However, nobody has yet managed to predict the words and actions of our president with sufficient precision, which he has proved one more time. A quick study of the president's memorandum, for which delegates had to sign and which carried the threatening stamp "for official use only," did not confirm the rumors surrounding this event: the said document is more a sort of summary of the state of the country's economy and social sphere. As for the president's speech itself, it seemed to just sum up all previous public speeches. The president outlined eight tasks for the executive power which should bring prosperity and well-being to our country. All the tasks might be condensed into the three following categories: privatization, budget, and investments, with social matters forming a permanent background. All the rest is detail about what these tasks entail. Some of them are logically linked; others, if they do not exclude each another, at least represent different poles.

On the one hand, the president recommended removing the infrastructure from the guardianship of the budget, privatizing it, and making social and cultural facilities private, while in the other part of his speech devoted to local budgets, he proposed using budget funds to develop the infrastructure, so that comfortable conditions would be created for investors. Obviously, he meant something else.

Similarly, tax policy also produced something extraordinary. On the one hand, the president said that the tax service will soon be made independent, and that tax investigations and penalties for tax evaders will be toughened, but he also promised the government to raise in parliament the question of giving the government the right to determine tax holidays, tax credits and, in general, taxation paradise for individual investment projects. The apparatus might have a really serious problem reconciling these two ideas without setting a precedent of double standards — domestic entrepreneurs are not yet considered serious investors.

The president called on the administration heads to support entrepreneurs in every possible way and not to strangle them with inspections and duties. At the same time, entrepreneurs were requested to assist the social sphere, though all kinds of duties are levied precisely on the pretext of helping the poor, children, and the disabled. As regards the administrative structure, the heads of administration were advised vaguely to take into account the solvency of one or another district when drawing up next year's budget and to submit applications to abolish them, so as to save the budget from an unjustified overdraft and divide the money thus liberated among the administrations which survive.

Kazakhstan: Low Turnout Reported in Almaty for Russian Elections

LD3006155696 Moscow Russian Television Network in Russian 1000 GMT 30 Jun 96

[From the "Vesti" newscast presented by Sergey Dadyko]

[FBIS Translated Text] Today is the last day of June. Three days remain to the Russian presidential elections, but voting has already started, not just in remote corners of Russia but in certain countries of the former Soviet Union where Russian citizens live:

[Begin recording] [Correspondent A. Kondrashov] There are five polling stations in Kazakhstan where civilians can vote in the Russian presidential election, but the one in Almaty is the only one where Russian citizens can cast their votes today. Unlike the voting on 16 June, when a 30m line formed outside the polling station, the turnout for the second round has not been particularly brisk. By noon, the polling station at the Russian embassy had only been visited by roughly a quarter of the citizens registered on the electoral roll, however, as in the first round, the Almaty polling station was besieged by Russians who are citizens of Kazakhstan and who, consequently, are not entitled to vote. Nevertheless, they are not indifferent towards Russia's destiny since they are deeply convinced that Kazakhstan's destiny is directly dependent on that of Russia. They have a simple explanation for their wish to vote.

[Unidentified woman] I want there to be order in Russia just like anywhere else, order both in Kazakhstan and Russia. Life is very difficult, very bad, for us Russians here.

[Kondrashov] Embassy officials say the turnout of local Russian citizens is low because Kazakhstan's mass media, which announced that the vote would be held today, do not have a wide reach. Most voters will probably turn up to vote on 3 July, when the Almaty polling station will be closed. Fortunately, this problem has been avoided at polling stations in four other regions of the republic and at the dozen or so Russian military bases in the republic, including Baykonur where there are thousands of Russians. Voting will be held there on 3 July. [end recording]

Kazakhstan: Nazarbayev Briefs Swiss Forum on Economic Potential

MM0107155596 Moscow KRASNAYA ZVEZDA in Russian 28 Jun 96 p 3

[Report by Anatoliy Ladin: "Kazakhstan Seeks Well-Off Partners. In Exchange It Offers Natural Resources Which the Country Does Not Have the Resources To Develop"]

[FBIS Translated Text] Kazakhstani President Nursultan Nazarbayev cited interesting data at the latest international forum on regional development issues in Crans Montana (Switzerland). Noting that the fuel and energy complex is the main sector of the republic's economy, he reported that according to Western experts Kazakhstan has 15-30 billion tonnes of extractable hydrocarbon reserves (this is not counting ongoing mineral prospecting). Only 1 percent of these reserves is currently being extracted. Kazakhstan could extract over 100 million tonnes of coal. In the former Soviet Union the republic was the leading producer of copper, lead, and zinc and the third largest gold producer. Four major plants for producing elementary yellow phosphorus with a capacity of 357,000 tonnes have been constructed. Here Kazakhstan is second to none in the world.

The president let it be known that his state has great potential to develop its agro-industrial complex and other economic sectors but has neither the manpower nor the financial resources to do so. That is why Kazakhstan is having to seek well-off partners abroad. As of today, 2,500 joint enterprises and 680 enterprises with foreign investors are operating in the republic. Since last year the transfer of the largest enterprises to foreign companies under trust management has been implemented.

The sums channeled by international financial organs into the development of Kazakhstan now total $2.5 billion. But if we total up all the funds which will be invested by foreign investors under agreements concluded in the next 10 years, they come to nearly $50 billion.

Nazarbayev stated that the results of the first five months of this year indicate that the republic has not only halted the fall in industrial production but has also achieved 1-percent growth. Gross domestic product has also increased 0.5 percent. In the past year, according to the president, Kazakhstan has moved into first place among all CIS states in creating an effective legislative industrial base. The Supreme Economic Council Under the President intends to continue creating preferential terms for foreign investors.

Nazarbayev urged participants in the plenary session of the international forum in Crans Montana, which was devoted entirely to Kazakhstan, to show interest in his state and to be persistent in their efforts to develop Kazakhstan's colossal potential. According to him this will enable potential foreign partners to increase their profits and Kazakhstan to make its natural resources serve the people.

Tajikistan

Tajikistan: Iran's Velayati: Conflict Must Be Settled Peacefully

LD3006120896 Moscow ITAR-TASS in English 1126 GMT 30 Jun 96

[By Oleg Kuzmin]

[FBIS Transcribed Text] TEHRAN, June 30 (Itar-Tass) — Iran has not retreated a step from its position advocating the need for settling the Tajik conflict only by peaceful political means, Iranian Foreign Minister 'Ali Akbar Velayati told a news conference for foreign journalists here on Sunday [30 June].

Asked by Itar-Tass whether claims by some Tajik politicians that Iran supplies the Islamic opposition with weapons and ammunition, are true, Velayati called them "totally groundless". "One should not listen to such groundless accusations. Our position is clear: we want peace and national reconciliation in Tajikistan," the minister emphasised.

The Iranian statesman expressed hope that the inter-Tajik talks would resume in the near future. "The approach to this issue by Iran and Russia, the states which are most interested in a Tajik settlement, is the same," Velayati noted.

Mentioning the understandings reached during the March talks with Russian Foreign Minister Yevgeniy Primakov, under which Iran and Russia will influence correspondingly the Tajik opposition and the Dushanbe government to prod them to continue the talks, the minister stressed that Tehran has already done everything possible in this direction.

Tajikistan: Rakhmanov Seeks End To Regionalism, National Strife

LD0107183296 Moscow INTERFAX in English 1545 GMT 1 Jul 96

[From the "Presidential Bulletin" feature]

[FBIS Transcribed Text] President Emomali Rakhmanov has accused internal separatists acting on orders "from their foreign patrons" of carrying out sabotage activities aimed at undermining the country's territorial integrity.

In a speech to the meeting of local officials in Khodzhent, the president pointed by way of example to unauthorized regional demonstrations in mid-May involving thousands of people.

The Tajik leader called for eradicating any show of regionalism and local strife which serve as good breeding grounds for "such demonstrations unsettling the social and political situation."

Rakhmanov announced instructing a group of leading experts to draw up guidelines of national unity including a correct personnel policy, combatting unemployment and getting younger people to take part in energy projects.

On job training schemes, the president was critical of the creation of dozens of dwarf colleges in different parts of the country including Leninabad region. He called for consolidating the higher education system in the capital Dushanbe and large regional centers.

During a recent two-day tour of northern Tajikistan, Rakhmanov visited several districts of Leninabad region and meet the lecturers of the country's oldest university at Khodzhent where he was awarded an honorary degree.

Tajikistan: Conflict Settled Between Guards, Militants

LD0107193796 Moscow ITAR-TASS in English 1921 GMT 1 Jul 96

[FBIS Transcribed Text] DUSHANBE, July 1 (Itar-Tass) — The situation in Khorog, the administrative centre of Tajikistan's Gorno-Badakhshan autonomy, is now stable and causing no apprehension after the conflict that erupted between the Russian borderguards stationed here and local militants on June 28 was settled by peaceful means, according to Commander of the Russian border troops in Tajikistan, Lieutenant-General Pavel Tarasenko.

Tarasenko told a briefing for journalists that the conflict arose when the Russian borderguards detained a group of ten armed transgressors led by a field commander of one of the Tajik opposition groups, Khudoidod.

According to the general, Khudoidod's group was moving along the Tajik-Afghan border to detract the attention of the Russian borderguards from another armed group seeking to penetrate Tajikistan from Afghanistan. The detainees were later found to carry not only weapons but also drugs.

The borderguards in that situation acted within their competence, the general said. But the supporters of the Tajik field commander issued an ultimatum to the borderguards demanding under the threat of use of arms that the detainees be released.

Local militants placed outposts near the Khorog border unit facilities forcing the Russian border troops to prepare for taking adequate measures in response.

Fortunately, the conflict was settled by peaceful means when, following the preliminary investigation, six detainees, including their field commander Khudoidod, were handed over to local Tajik authorities on June 30.

As concerns the remaining four Tajik opposition militants, the investigation continues.

Tajikistan: Russian Planes Bomb Tavil Dara Villages; 2 Dead

LD0107062796 (Clandestine) Voice of Free Tajikistan in Tajik 0300 GMT 1 Jul 96

[FBIS Translated Text] Reports received from Tavil Dara indicate that fierce clashes were continuing yesterday, but the press center of the United Opposition Forces says it does not have detailed information about the results of the fighting.

However, three Russian Air Force fighter planes bombed the villages of Qalya-i Husayn and Sagirdasht [in Tavil Dara District] villages yesterday at 0700. As a result of this air attack, dozens of houses were destroyed, two inhabitants were killed, and six others were wounded.

Armenia

Armenia: Deputy Foreign Minister Leaves for Stockholm Karabakh Talks

NC0107173696 Yerevan Radio Yerevan International Service in Armenian 1630 GMT 1 Jul 96

[FBIS Translated Text] A new round of talks for the settlement of the Karabakh-Azerbaijan conflict opened in Stockholm today with the mediation of the co-chairman of OSCE Minsk Conference. As already reported, an Armenian delegation headed by Deputy Foreign Minister Vardan Oskanyan, and a Nagorno-Karabakh Republic delegation headed by Foreign Minister Arkadi Ghukasyan have left for Stockholm.

The political agreement on the (?settlement) of the conflict and a number of key issues, particularly matters relating to the security of Karabakh, are expected to be discussed during the current round of talks.

The representatives of the Minsk Group countries and of the high-level OSCE planning group are also attending the talks.

Armenia: European Parliament Delegation Gives News Conference

NC0107211996 Yerevan SNARK in English 1637 GMT 1 Jul 96

[FBIS Transcribed Text] Yerevan, July 1 (SNARK) — Today, the delegation from the European Parliament headed by Antonios Trakatellis, held a press conference at the Armenian Foreign Ministry. Trakatellis stated that the European Parliament's cooperation with all the Transcaucasus republics will promote economic cooperation in the region thus advancing the settlement of the regional conflicts.

Regarding programs which the European Parliament can implement together with Armenia, Georgia and Azerbaijan, Trakatellis noted the programs on developing transportation communication, gas and oil pipelines, as well as projects on humanitarian aid.

However, Trakatellis said that no program on humanitarian aid for NKR [Nagorno-Karabakh Republic] has been drafted yet. He expressed hope that the conflict would be settled fairly and the situation of the region would become stable. Only after this, a similar program might be drafted for Nagorno-Karabakh, Trakatellis stressed.

Armenia: European Parliament Sees Caucasian Republics Making Headway

LD0107191796 Moscow ITAR-TASS in English 1820 GMT 1 Jul 96

[By Tigran Liloyan]

[FBIS Transcribed Text] YEREVAN, July 1 (Itar-Tass) — Armenia, Azerbaijan and Georgia are striving for democracy and market economy, according to Antonios Trakatellis who led a delegation from the Europarliament on a tour of these Caucasian republics.

Speaking at a press conference devoted to the results of the visit, Trakatellis described the tour of the region as "very fruitful."

He said a joint commission will be set up within the framework of the agreement on cooperation and partnership between the European Union and Armenia to supervise implementation of the agreement.

The Europarliament delegation members during their visit to Armenia met representatives of both the government and the opposition, he said.

The National Assembly (parliament) of Armenia conveyed an invitation to the leadership of the Europarliament to send observers to the Armenian presidential elections scheduled for September, Trakatellis said.

He recalled that in Yerevan, Tbilisi and Baku, the three capitals of the former Soviet Caucasus republics, the delegation discussed the Karabakh settlement and noted progress towards peace.

Trakatellis expressed the hope that the Karabakh issue would find "a fair solution within the framework of human rights and bring peace and solidarity to the region, as well as facilitating stabilisation and economic growth."

The European parliamentarian proposed cooperation in the field of transport and communications between the conflicting countries as a way of overcoming differences between them.

Georgia

Georgia: Shevardnadze Discusses Economy, G-7 Summit, Turkey

LD0107153396 Tbilisi Radio Tbilisi Network in Georgian 0500 GMT 1 Jul 96

[Regular weekly interview with President Eduard Shevardnadze by Nato Oniani in Tbilisi — live]

[FBIS Translated Excerpt] [Oniani] Greetings. Here is an interview with Georgian President Eduard Shevardnadze. Mr. President, it can be said that once again last week was economically stable. The drop in the prices of certain goods was noticeable, and last week's most important event was probable the certain amount of activity by European structures in Georgia.

[Shevardnadze] Thank you. Greetings. It can be said that last week in Georgia was a week of Europe. The subject of talks with Fokion Fotiadhis, head of the European Union's unit for Caucasian and Central Asian countries, was the allocation of funds by the EU to Georgia to finance the country's health and agriculture programs. An agreement on a transit connection signed by Georgia, Azerbaijan, Turkmenistan, and Uzbekistan was praised at the meeting with Fotiadhis. On the basis of the agreement, work is already under way to import the machinery and equipment necessary for the construction of an oil pipeline. This creates fruitful ground for getting international financial organizations and foreign investors interested, as well as for the allocation of loans to Georgia. The EU will also support Georgia in becoming a member of the World Trade Organization. As is known, we have already been granted observer status at this organization. I would like to stress that this organization is highly influential international group, and our membership in this organization is not far away.

Against this background, it must be stressed that conditions for further cooperation with the European Bank for Reconstruction and Development [EBRD] are becoming increasingly favorable. From this point of view, a visit to Georgia by the board of directors of the EBRD was significant. The EBRD has helped us reconstruct Tbilisi airport. The issue of using an $18 million loan for the power industry is now on the agenda. These funds are to go toward the reconstruction of the Zhinvali and [word indistinct] thermal power stations. The EBRD intends to implement the financing of other significant projects in Georgia. Thus, this visit was very important. In the future, loans may be allocated for dozens of other projects.

Businesslike and important discussions on the issues of Georgia's integration into European structures, Caucasian problems, the drawing up and establishment of a new system of justice, the Abkhaz issue, and other problems were discussed at a meeting with a delegation of the European Parliament's Interparliamentary Delegation for Transcaucasus.

With regard to the country's domestic economic events, I must stress a session of the Georgian Government that was held last week and discussed the country's social sphere. In particular a draft bill on health insurance was discussed. The draft bill provides for the implementation of compulsory and voluntary health insurance for Georgian citizens. The compulsory health insurance will be given to every citizen of Georgia and will be carried out in accordance with the state compulsory insurance program. This will cover health service costs for a citizen of Georgia within a relevant state health program. This significant draft bill, which is based on the experience of developed countries, has been passed on to the Georgian Parliament for consideration. [passage omitted]

Intensive work was held in the last week of June to mobilize state revenues over six months. On 29-30 June, all banking establishments were working in order to collect, in full and on time, the state budget revenues for six months.

According to preliminary information supplied by the Tax Inspectorate, more than 28 million lari's worth of state revenues were collected by the inspectorate in June. It is expected that this figure will grow as more precise figures are released in the future. This will ensure the fulfillment of the second quarter's plan, and if this is so, then it will be a big achievement.

The Tax Inspectorate has collected 110 million lari since the beginning of this year. This is twice as much as the revenues collected in six months last year. The revenues collected in the second quarter of this year exceed by over 1.5 million the revenues collected in the first quarter.

There is a similar trend in the revenues received by the state budget from the customs system. Since the beginning of this year, the state budget has received approximately 23 million lari. This figure exceeds last year's total figure by 150 percent. The revenues received in the second quarter, 15-16 million lari, exceed the level of the first quarter by 150 percent. [passage omitted]

One more thing: The inflation rate in the country is stable and stands at 2.2 percent a month. Against this background, the trend in price formation is undoubtedly significant. It must be welcomed that the freeing of bread prices is being accompanied by a decrease in the prices of consumer goods. The fall in the price of consumer goods is considerable: 8-10 percent on average. Such a trend has been established in the prices of consumer goods, as well as in various spheres of services and gasoline. The price of gasoline went down considerably. The central and local bodies of leadership must continue to focus on the figures that reflect the supply-demand correlation.

[Oniani] Thank you. One more important event last week was the opening of a branch of Tbilisi University in Zugdidi. We remember your visit to the Samegrelo region as part of your election campaign. One of many requests put forward by the population was to open a university branch, and you promised it would open.

[Shevardnadze] You are right. I made such a promise following preliminary consultations, of course. Last week's significant event was the opening of a branch of Tbilisi State University in Zugdidi. It is not accidental that people in the region are sincerely happy with this event. One more center of Georgian culture, education, and science has been established. I welcome the desire of Roin Metreveli, principal of Tbilisi State University, that a high standard of teaching and scientific research be established at the Zugdidi branch.

Generally, I must say that a full and creative life is starting in Samegrelo. [passage omitted]

[Oniani] Mr. President, when talking about Georgia's future, we must take into consideration, first and foremost, the political situation in neighboring countries. World politicians and experts have been focusing on the political processes currently under way in Turkey, in particular the formation of Necmettin Erbakan's new government. Before elections in Turkey, there was a certain amount of speculation that his was an extreme fundamentalist force that will change Turkey's foreign policy considerably. Proceeding from the fact that Turkey is our neighbor, every Georgian citizen will be alarmed if Turkey's political course changes rapidly. What do you foresee?

[Shevardnadze] I think it is a little early to speak about the composition of the government before it receives a vote of confidence. I would still like to say that the formation of Turkey's new government in this manner is a confirmation of democratic elections. Turkey's policy toward the world in general, in my opinion, will not change. This is guaranteed by the country's president who has vast powers, the most recent and significant statements by Necmettin Erbakan, as well as the presence of Tansu Ciller and other officials in key posts. This is my brief comment on this issue.

[Oniani] Finally, the important event of last week was a meeting of the leaders of the G-7 countries.

[Shevardnadze] A declaration signed by the leaders of the eight major states in Lyon, France, is undoubtedly encouraging. The fact that Russia joined the G-7 countries is to be applauded. Now, in effect, it makes eight countries, however, there still are some formalities to be resolved. The voice of giants will be even more weighty and influential from now on.

[Oniani] And more coordinated.

[Shevardnadze] Of course. The principles laid down in the declaration reflect those events that have taken place in the modern world, including the CIS area and in particular the Caucasus. The declaration provides for more guarantees for the development of freshly formed democracies, state independence and freedom, economic revival, and the settlement of conflicts, including the Abkhaz conflict. Assistance to developing countries will become more systematic and palpable. The leaders of the eight countries made a unanimous statement on this issue.

[Oniani] Thank you very much. You were listening to Georgian President Eduard Shevardnadze.

Estonia

Estonia: Kallas Departs for EU Conference in Strasbourg

WS0107141296 Tallinn BNS in English 1233 GMT 1 Jul 96

[FBIS Transcribed Text] Tallinn, Jul 1, BNS — Estonian Foreign Minister Siim Kallas left Monday [1 July] for Strasbourg to take part in a Council of Europe [CE] conference of local and regional bodies of power.

Kallas as the chairman of the CE Committee of Ministers will Tuesday deliver a report to the annual conference attended by 561 local government leaders from 39 countries and reply to questions.

The foreign minister will later in the day head for the Swedish city of Kalmar, where a meeting of the Council of the Baltic Sea States will take place.

The meeting will be headed by Swedish Foreign Minister Lena Hjelm-Wallen. Participants include foreign ministers of 10 states bordering on the Baltic Sea as well as of Iceland, European Commission's Commissioner for Foreign Affairs Hans van den Broek and Foreign Minister Guy Mitchell of Ireland, the presiding country of the European Union.

Estonia: Prosecutor's Office Protests Ruble Case Ruling

WS0207094096 Tallinn BNS in English 1600 GMT 1 Jul 96

[FBIS Transcribed Text] Tallinn, Jul 1, BNS — Discussion of the controversial ruble sale will continue in a regional court, as the State Prosecutor's Office has protested the ruling of the Tallinn City Court.

Prosecutor Urmas Tammiksaar Monday filed a protest against the acquittal of Tiit Pruuli, former adviser to ex-Prime Minister Mart Laar, and businessmen Agu Kivimagi and Marek Strandberg, the mediators of the deal.

The Tallinn City Court ruled the week before the last that Pruuli, Kivimagi and Strandberg did not act in violation of laws when organizing the export of 1.46 billion Russian rubles' worth of cash from the Tallinn airport between December 1992 and March 1993.

Prosecutor Andrei Voronin told BNS Monday the case would probably come under discussion at the Tallinn Regional Court in August.

Revelations that the government had sold a total of 2.26 billion rubles' worth of Russian banknotes withdrawn from circulation during Estonia's monetary reform of June 1992 sparked one of the biggest political scandals in recent years and led to Laar's resignation in the fall of 1994. Laar was accused of lying when he denied in public the rubles had been sold.

The former premier said the sale had to be kept secret until the pullout of Russian troops from Estonia in 1994 to avoid complications.

Russia insists that the sale was illegal and has demanded compensation to the tune of tens of millions of U.S. dollars from Estonia.

Latvia

Latvia: Ulmanis Deplores Army's Lack of Discipline

LD0107175296 Riga Radio Riga Network in Latvian 1700 GMT 1 Jul 96

[FBIS Translated Excerpt] State President Guntis Ulmanis today convened a session of the National Security Council, to discuss with the minister of defense and the commander of the national armed forces how to bring discipline into the army. After the session, the state president told journalists that today the army can be described as a mirror of a sick society, where no one is responsible for anything, not even for the border guards who died on 23 June. Reporting on what the state president said is our correspondent Ainars Asaks:

[Asaks] Guntis Ulmanis emphasized that the latest tragic events in the national armed forces have shocked not only him but the whole of society. So the time has come to carefully think over and analyze the process of events in the army, and seek the consequences, the reasons, and the causes. In order to answer the question why an army that should have order instead has chaos, the state president has resolved to prepare a number of proposals for the Cabinet of Ministers and parliament, and to adopt laws relevant to these state institutions, to jointly find financing for the armed forces that would not make the poverty of the army a pretext or excuse for indiscipline. [passage omitted]

Latvia: Foreign Minister on 'Vital' NATO Membership

BR0107122996 Stockholm SVENSKA DAGBLADET in Swedish 28 Jun 96 p 4

["Focus" article by Latvian Foreign Minister Valdis Birkavs: "NATO Membership Is Vital for Latvia's Security"]

[FBIS Translated Text] Now that the annual midsummer celebrations in the countries on the Baltic Sea have ebbed out, Latvia is still faced with the challenge of ensuring that its security and independence are not extinguished along with the midsummer bonfires. A

Latvian folk song from the midsummer repertoire serves us as a guide:

Beat the copper drum Janis,
Up on the top of the gatepost,
To wake the Janis children,
So they do not oversleep.

Latvia must be awake and alert. Our drums will continue to beat to the EU and NATO tune, so that our current vulnerability can be exchanged for guarantees which give us greater peace of mind.

In Europe's rapidly-changing security landscape the most recent developments have not been particularly encouraging. Only a month ago the parties to the agreement on Conventional Forces in Europe (CFE) agreed on certain changes. The new agreement affects all the countries on the Baltic Sea — however, Latvia and Estonia are on the very front line.

Although Latvia, like Sweden, has never been covered by the treaty, we consider that the changes which will affect our immediate security environment should have been made in consultation with us.

These changes mean that Russia will be able to deploy more military equipment in the immediate vicinity of the Nordic-Baltic region.

Due to Russia's persistence it was allowed to place a practically unlimited number of heavy tanks and artillery, as well as a maximum of 600 armored vehicles, in the Pskov region, which is tantamount to putting them on Russia's border with Latvia and Estonia. Why are they needed?

NATO Membership Important

Bearing in mind that the CFE treaty is one of the cornerstones of European security, Latvia naturally welcomes the fact that the parties to the agreement were able to find a solution which has succeeded in keeping the whole treaty intact. But the potential increase in the military presence forces us to seek other measures ourselves.

If the intention is not to draw a new Yalta line through Europe, measures can be taken to ensure our security. This is precisely why it is important for Latvia to receive an invitation to join NATO.

Membership would help us to achieve our own national security, at the same time as we would be able to contribute to the security of current members.

From a Latvian point of view one of the main challenges in connection with NATO enlargement is to prevent continuing deterioration of the security situation of Latvia, Estonia, and Lithuania during the course of the enlargement process.

This is not an intellectual experiment of the academic kind, but rather a process which is decisive for Latvia's future. The answer to the Baltic states' security problems must be found before the alliance opens its doors to the first new members. Otherwise the result could be effects which are negative for the entire region.

During the complex process of building up the new European security structure, different kinds of aspects must be weighed against each other. These include:

— NATO's enlargement process

— Russia's part in a new European security structure and the dialogue between NATO and Russia.

— Reinforcing the transatlantic link.

— Development of a European security identity.

We are sensitive to the inherent dynamics of this process. All discussion of and changes to NATO and the EU, as well as dialogue between Russia and the West, affect reforms in our country, as do our Western friends' activities in and attitudes toward the region. For this reason we are a barometer for the progress or failure of the enlargement of the transatlantic area. At the same time our concern about a deterioration of our own situation determines our attitude toward this process.

Historical Experience

Latvia also understands that these dynamics are no less sensitive in other countries. Different historical experiences affect the way in which each country in the Baltic region reacts. It is inevitable that the consequences of the last world war still burden and therefore influence Latvia today.

However, the growing reciprocal interests between Sweden and Latvia help us to meet the shared challenges confronting us. This applies particularly to the question of the enlargement of the European Union. The active support of Sweden and the other Nordic EU members in promoting our integration into the European Union benefits all countries in the Baltic Sea region.

We realize that membership of the EU will mean a positive step toward greater stability and security, however, for Latvia this cannot be a substitute for NATO membership. And for Latvia, Nordic-Baltic security cooperation cannot be a substitute for full membership of the alliance either.

Persson's Statement Welcome

The support that Sweden, in view of its position, can provide for Latvian membership of NATO is also part of this common interest. We agree that it is every small country's prerogative to choose the best course. Prime Minister Goran Persson's recent statement in Riga was welcome.

In addition, we also support the joint statement made by the Swedish foreign and defense ministers in DAGENS NYHETER on 13 June, that the enlargement process must not take place "at the expense of someone else's security and must not be allowed to create new dividing lines on our continent."

Latvia believes that by joining NATO the Baltic states' would be able to promote their neighbors' security, because the European security zone would be widened. Denying them membership would be more likely to produce new dividing lines.

At the same time Latvia does not expect its neighbors to look after its security needs. We are ready to defend ourselves, and our wish to become a member of NATO is to uphold transatlantic values of democracy and freedom. As our defense capability has been built up from scratch in recent years — we purposely declined to make use of the Soviet legacy — concrete assistance is very welcome.

The training of our peacekeeping forces in Sweden — a participant in the Partnership for Peace — is greatly valued.

Similarly the opportunity for a Latvian company to serve together with Swedish IFOR forces provides further invaluable experience in addition to what we have already received in similar cooperation with the Danes. Together with the support provided through the establishment of the Baltic Peacekeeping Battalion (Baltbat), these measures increase the contribution which we can make to security in Europe. Latvia's role in the structure of European security will not be solely that of consumer.

Greater Baltic Cooperation

A further contribution to this structure, the building of which has already been started, is made by greater defense and military cooperation among the three Baltic countries. The actual shape and training of BALTBAT is one outstanding example. It demonstrates our will to jointly share our international responsibility. And this is only one piece of the complex jigsaw puzzle of cooperation that has been developing rapidly among our three countries in the last five years.

This has, of course, been strengthened by other forms of cooperation, especially in the Council of Baltic Sea States (CBSS). In this context, the regional aspect of strengthening relations with Russia is just as important as focusing the attention of the EU on the Baltic Sea area. This is why Latvia is pleased to take over the annually rotating chairmanship from Sweden.

But our chairmanship in the coming year is not based on but rather strengthened by our fundamental quest. Beating the drum to the EU and NATO tune will undoubtedly be heard when next year's midsummer bonfires are lit, because Latvia will put priority on security, democracy, and prosperity for the Baltic Sea region in the coming year.

Lithuania

Lithuania: Brazauskas Hopes To Participate in NATO's Expansion

LD0107152896 Moscow INTERFAX in English 1440 GMT 1 Jul 96

[FBIS Transcribed Text] VILNIUS, July 1 (Interfax) — Lithuanian President Algirdas Brazauskas reiterated the country's goal to join NATO at a press conference on results of a meeting between Lithuanian, Latvian and Estonian presidents with U.S. President Bill Clinton last week.

Brazauskas said the Baltic states see no alternatives to NATO's expansion, but said American officials have yet to give a concrete answer regarding the Baltics' participation in the alliance's enlargement. Brazauskas assumed that a more concrete conversation may take place after the meeting of heads of NATO member-countries in early 1997.

According to Brazauskas, he heard a lot of reassurances during his meetings in Washington stating that the Baltic states would not be left out of integration processes and the United States will render all-round assistance to the Baltic states. "This inspires confidence and hope that we shall be participants of NATO's expansion and of forming security system," Brazauskas said.

"Strengthening of security is a priority course in our foreign policy," he said.

Lithuania: Russian Official Says Baltics Never To Be Admitted to NATO

LD2906211296 Vilnius Radio Vilnius International Service in Lithuanian 0800 GMT 29 June 96

[FBIS Translated Text] The Baltic states will never be admitted to NATO, therefore, they must look for new ways to guarantee their security while cooperating with Russia, Vladimir Lukin, chairman of the Russian Duma Foreign Affairs Committee, believes.

Lukin is currently taking part in the Council of Europe Parliamentary Assembly session in Strasbourg. He told the journalists of Baltic countries that the statement by U.S. President Bill Clinton made at the meeting with the presidents of the three Baltic states in which he supported the aspirations of the Baltic states to join NATO was only a part of the presidential election campaign that has already started in the United States.

According to Vladimir Lukin, former Russian Ambassador to the United States, Bill Clinton's statement was addressed to the voters who originally came to the United States from the Baltic countries. With regard to NATO expansion, it has no great significance, the Russian Duma deputy said.

Lukin thinks that the Baltic states should set up their own security model together with Russia.

Lithuania: Brazauskas Signs Amendments to Electoral Law

WS0207093896 Tallinn BNS in English
1600 GMT 1 Jul 96

[FBIS Transcribed Text] Vilnius, Jul 1, BNS — Lithuania's President Algirdas Brazauskas signed Monday [1 July] amendments to the country's electoral law, which were passed by lawmakers last week, though he was surprised at some of them.

The president said in a news conference he was surprised that the MPs voted to raise the barrier of votes to be cleared by parties to get into the parliament though many parties did not move for that change previously.

The amendments to the law require that candidates on a political party list win at least 5 percent of valid votes to get seats in the parliament. The earlier requirement was 4 percent.

The proportional system is used to elect half of Lithuania's MPs. The other half come from single-mandate electoral districts.

"The parliament made the decision and I do not think I should fight against it," Brazauskas said in the news conference, adding that the more strict requirements have both advantages and disadvantages.

The president said the smaller number of parties would facilitate formation of a coalition government. On the other hand, the multi-party system ensures greater possibilities for individuals and smaller parties.

The country's small parties have voiced dissatisfaction with the amendments to the election law. The Polish Electoral Action has also slammed the new law because it lifted privileges which were previously enjoyed by national minorities' organizations in the proportional election.

Lithuania: Prime Minister Ends Two-Day Visit to Poland

LD2806234896 Warsaw PAP in Polish
1902 GMT 28 Jun 96

[FBIS Translated Excerpt] Cracow, 28 Jun — Lithuanian Prime Minister Mindaugas Stankevicius, who has been on an official two-day visit to Poland, ended his visit to our country on the evening of 28 June and departed for Vilnius from Cracow's Balice Airport. The head of the Lithuanian Government said in Cracow that he is satisfied with his visit to Poland. He expressed that hope that it will contribute toward closer cooperation between Poland and Lithuania. [passage omitted]

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.